

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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Superlatives are passing out of style in advertising. But the years and use have convinced us that we make the finest adding machines in existence...and so we say just that. We welcome an opportunity to prove it...and, of course, without obligation on your part.

ALLEN  **WALES** **ADDING MACHINE**

ALLEN WALES ADDING MACHINE CORP. 515 Madison Avenue • New York City
SALES AND SERVICE IN 300 AMERICAN CITIES AND IN 40 FOREIGN COUNTRIES

The Condition of BUSINESS

THE OUTLOOK. A reasonable expectation of profit is what business needs at this stage to permit further gains. Lacking this element, and faced with an extended period of tension at home and abroad, it is hardly in the nature of capital to be very ambitious. Business sentiment is still predominantly on the optimistic side. Bankers as a group seem to be even more sanguine about the outlook in their various communities than the business men themselves.

BANKING'S CROSS INDEX. BANKING'S cross index of the general trend of business, obtained from a poll of 2,850 bank directors and bank presidents in all sections of the country, reflects some improvement.

Thirty-nine per cent of those polled for the purpose of this summary said business was getting better, 46 per cent found conditions about static and 15 per cent reported a decline.

The bank presidents included in the poll, considered separately, show a somewhat higher degree of enthusiasm about the future: 48 per cent up, 44 per cent unchanged and 8 per cent down.

Here is a tabulation of the poll for the last six months, giving percentages of replies under the three general questions asked:

	UP	UNCHANGED	DOWN
October.....	33	37	30
November.....	39	34	27
December.....	43	32	25
January.....	45	38	17
February.....	39	38	23
March.....	39	46	15

THE GOVERNMENT'S ATTITUDE. However much it may be occasion for regret it is a fact that the business world in general and investors in particular are not yet convinced of the genuineness of the Government's conversion, nor are they assured that the present policy of encouragement will not be reversed without warning in pursuance of some old political objective.

Opinion regarding the latest essay in Governmental co-operation swings from faith to doubt and back again, depending on day-to-day news. Business wants earnestly to believe that the armistice is permanent and most sections of trade and industry respond favorably to every peaceful political assurance.

SOME WANT PROOF. There persists, however, a strong demand for unanswerable proof that the Government wants private enterprise to prosper.

The various ways in which the skeptics might be converted fall into four general categories. The first is relief from further legislative experiments at this time. The second is tax relief. The third, relief from red tape and bureaucratic interference and the fourth is relief from the uncertainties inherent in emergency powers and government by whim.

The first of these appears to be something that can be counted upon definitely. The second, or tax relief, is being given serious consideration and it is not too much to hope that some of the things that business people have been asking will be done. The other two categories of action are important, for human as well as economic reasons. It is surely an impediment to recovery that so much of the time and energy of the best heads in business is being wasted on details and worries which have little or nothing to do with the running of a business.

THE SAME OLD PROBLEMS. In addition to the perennial

question about war and the clash between democratic and totalitarian ideas, there are many troublesome problems dogging the footsteps of recovery and most of them have a familiar look. Here are a few of the questions that business people are asking themselves and each other.

THE TAX BURDEN. Will any tax relief that can reasonably be expected under present circumstances help much in solving industry's problem of making both ends meet?

If a substantial reduction in taxes can be accomplished would it result in a harmful increase in the Federal deficit?

At just what point would the benefits of tax relief be destroyed by the bad effect of an increasingly unbalanced budget?

At what point would economies and cuts in Federal spending begin seriously to hurt those businesses that are close to the much-primed pump?

Many states and communities have laws granting tax exemption for certain periods on new houses and new plants. Why cannot similar tax favors be granted manufacturers on new tools and machines purchased to replace outmoded equipment?

Why should not a company or individual which risks its money in backing a new product, and thereby increasing employment, get special tax consideration?

INDUSTRIAL AND ECONOMIC QUESTIONS. Is it not true that today's questions concerning technological unemployment, over-production, under-consumption, purchasing power, are the same as were being asked a decade ago and are today farther from solution than ever before?

What has happened to the small local capitalists whose backing of new enterprise was such an important factor in the country's economic progress?

Why doesn't big business do more to sell itself to little business?

Are banks going to meet the demand for intermediate credit before other agencies take the ball and run with it?

What, if anything, can be done about the fundamental maladjustment between costs, wages and prices?

Can anything be done to remove or reduce interstate trade barriers?

What is the Monopoly Committee doing or planning?

What can be done about the scores of emergency powers over the economic life of the country, wielded independently of Congress by departments, commissions, bureaus and individuals? A good example of the uncertainties arising from such powers is the attempt just launched for establishing a two-price basis in retail stores with the lower price for W.P.A. beneficiaries.

GOVERNMENT IN BUSINESS. The Federal Government in recent years established dozens of new controls over business and each point of contact ought to be re-examined carefully. The list includes: banking, new security flotations, stock exchanges, farm production and prices, industrial pricing policies, wages and hours, communications, labor relations, individual security, construction industry, public utilities, holding companies, dividend policies and the conservation of natural resources.

FARM OUTLOOK. The situation of agriculture gives little promise of improvement. There is an increasing disposition in the Government to unload accumulated stocks of commodities acquired through loans above the market prices, and this may result in a clearing of the atmosphere.

WILLIAM R. KUHN



This man has two success stories

HERE IS ONE STORY: This man suddenly vanished from behind the counter where he had clerked for years, and as suddenly popped up behind another counter—in his own store.

He went into business for himself, became an employer, a good customer of the bank, and an important asset to the community.

HERE IS THE OTHER STORY: Some years ago, this man couldn't have financed a peanut stand—to say nothing of the store he bought. He didn't have the funds—because

every penny that he earned he spent.

How, then, could such a person accumulate enough money to buy his own business?

He could do it by following a systematic plan of accumulation . . . a plan which requires him to put aside part of his earnings regularly and

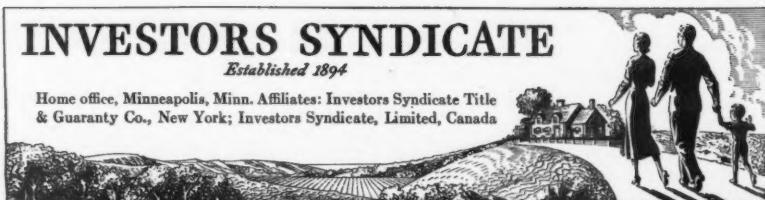
persistently . . . a plan with a fixity of purpose . . . a plan that cannot be abandoned without a financial loss to himself as well as an evasion of a responsibility.

Through such a plan, such success stories have been repeated many, many times.

INVESTORS SYNDICATE

Established 1894

Home office, Minneapolis, Minn. Affiliates: Investors Syndicate Title & Guaranty Co., New York; Investors Syndicate, Limited, Canada



WORDS and MUSIC

A NATIONAL FORUM ON MOVING PICTURES AND RADIO IN PUBLIC RELATIONS

History as a Program Basis

THE current flood of best-selling historic novels, and the impact of new, more brilliant dramatizations on stage, screen and radio, combine to make the public suddenly history conscious. This drops a ready-made audience in the advertiser's lap. If history is vogue, then strategy suggests history themes for advertising.

Banks have always been more or less partial to the history motif in advertising, mainly because it provides an ideal institutional approach. In radio, as in other media, banks have developed outstanding campaigns employing the history technique. The files of our national radio study include a number of experiences with programs of this type. The following reviews may impart a workable idea to the advertiser who may be planning similar broadcasts.

Last fall the Troy Savings Bank, Troy, New York, introduced a highly entertaining series built around the theme, "History Was Made Where You Live". This consisted of thirteen 15-minute periods of music and dialogue, describing in dramatic fashion interesting but little known historical events which occurred in the territory served by the bank. Starting with scenes and events of local significance, the broadcasts were gradually extended to guest cities in a direct line north to the Canadian border, an area which was a battleground of the Colonial period. The bank has renewed its schedule for a second period currently broadcast at 6:45 Thursday evenings over station WGY, Schenectady.

To develop each program with authentic material, the bank enlisted the cooperation of the chamber of commerce, civic groups, history and art societies, libraries, etc., in each guest city. This also had the effect of stimulating much advance interest and assured a large local audience at the time of broadcast. Another factor which tended to develop a wide following for the entire series was the natural rivalry for historic recognition among the communities of this area. Local pride is usually very tender on this point, and diplomatic handling builds no end of good will.

Each program was reprinted in booklet form for weekly distribution, and at the end of the first series the booklets were combined in a volume for a special mailing list. Demands for the booklets were not confined to the immediate area but were gathered from all points of the compass. In addition to the exceptionally generous publicity which attended the broadcasts for each community, a very favorable volume of new business was obtained by the bank.

The objective of the program was primarily good will, and, on the commercial side, to prepare new territory for a banking-by-mail service. Much of the success of the series, according to Raymond K. Meixsell, public relations director, is laid to its basic educational and entertainment appeal and the support of well timed merchandising in other media. The total cost of the first series, including program reprints,

postage and distribution is estimated at well under \$5,000.

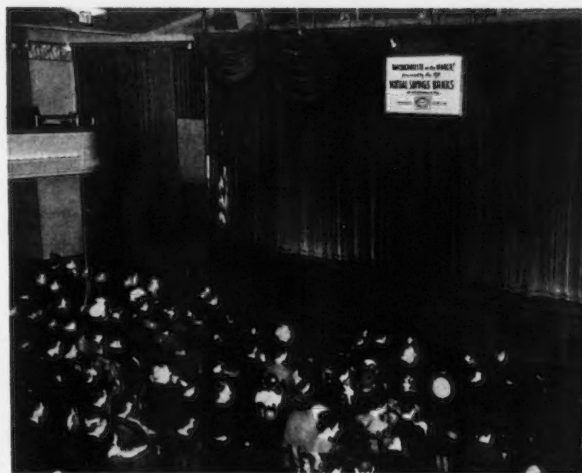
Another version of the historical theme in effective radio presentations is found in the experience of the Peoples National Bank of Washington in Seattle. The bank has sponsored 92 consecutive broadcasts over a three-year period on Station KOMO. This series, first introduced under the title, "Pioneers", was built around the biographies of familiar local characters and their contributions to community development. Later it was given wider scope under the title, "Great Moments in the History of the Pacific Northwest".

A cast of 15 actors under expert direction gave the program all the character of a first-class stage play. Each broadcast was designed as a complete show and the latitude of dramatization provided by the large cast was used to full advantage. There was no necessity to streamline plots or use sound props, and this, it was felt, added substantially to the entertainment qualities of the program.

All script material was edited for historical accuracy by Prof. M. C. Jacobs, head of the History Department of Whitman College.

Educational authorities, civic groups, descendants of pioneers and history hobbyists were especially keen, as usual, to register approval. Evidence of general public interest was not lacking in comment, mail count or new business. In fact, Ward Walker, assistant vice-president, states that the bank had occasion to apply the acid test in the after-effects of merger and name change. The lack of reaction was due in large measure to the (CONTINUED ON PAGE 5)

One program based on history, described here last month and illustrated this month on page 44, is "Massachusetts on the March". Below, the audience waiting for the broadcast of this program at the Bradford Hotel, Boston



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The best way

to put your square feet forward

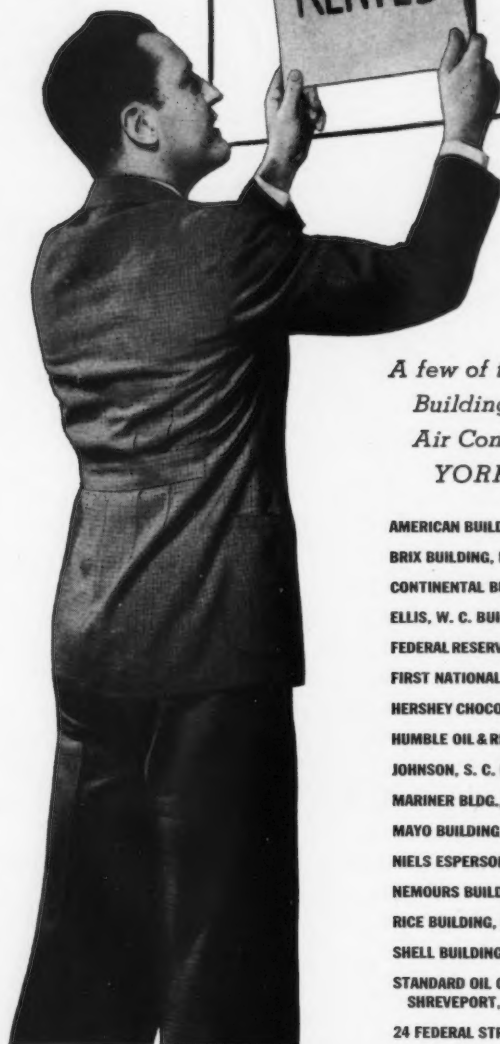
Unbiased records show that space leasing is made a good deal easier by air conditioning. A sample job of York *correct* Air Conditioning will convince you.

Simply select one of your most difficult spots to rent... a store, floor or a suite... and have York air conditioning installed. Let York prove its investment value the hard way... in income from rentals.

Once that is done... if you want to air condition the entire building... your York "sample" installation becomes an efficient, smooth working part of the whole job.

If you would like to know what *correct* air conditioning can do in *your own* banking quarters, request... on your letterhead... a free copy of the book "*Atmosphere and Efficiency*." This book contains the amazing results of an *impartial* nation-wide survey... shows beyond doubt that air conditioning can be worth millions to business every year.

York Ice Machinery Corporation, York, Pa.
Headquarters Branches and Distributors throughout the world.



*A few of the many Office
Buildings Completely
Air Conditioned With
YORK Equipment*

AMERICAN BUILDING, CINCINNATI, OHIO
BRIX BUILDING, FRESNO, CALIF.
CONTINENTAL BUILDING, ST. LOUIS, MO.
ELLIS, W. C. BUILDING, PHOENIX, ARIZ.
FEDERAL RESERVE BANK BLDG., ATLANTA, GA.
FIRST NATIONAL BANK, CINCINNATI, OHIO
HERSHEY CHOCOLATE CO., HERSHEY, PA.
HUMBLE OIL & REFINING CO., HOUSTON, TEX.
JOHNSON, S. C. BLDG., RACINE, WIS.
MARINER BLDG., MILWAUKEE, WIS.
MAYO BUILDING, TULSA, OKLA.
NIELS ESPERSON BUILDING, HOUSTON, TEX.
NEMOURS BUILDING, WILMINGTON, DEL.
RICE BUILDING, BOSTON, MASS.
SHELL BUILDING, ST. LOUIS, MO.
STANDARD OIL CO. OF LOUISIANA,
SHREVEPORT, LA.
24 FEDERAL STREET BLDG., BOSTON, MASS.
UNITED FRUIT BUILDING, NEW ORLEANS, LA.

York has completely
air conditioned more
office buildings
than anyone else!

york
refrigeration
air conditioning

HEADQUARTERS FOR MECHANICAL COOLING SINCE 1885

COMMERCIAL INVESTMENT TRUST INCORPORATED



COMMERCIAL INVESTMENT TRUST Incorporated, with capital and surplus in excess of \$57,000,000, provides a nation-wide sales finance service through subsidiary companies with a network of branch offices throughout the United States. This service, which consists of purchasing self-liquidating accounts, extends to automobile dealers, household appliance dealers, and to manufacturers and dealers in many lines of industrial, commercial and professional equipment, including the heavy goods industries.

C. I. T. offers its standard notes for short term accommodation in varying amounts from \$1,000 to \$100,000, in maturities from 60 to 270 days and at current discount rates. These notes are payable at any of our 279 depository banks located in principal cities throughout the country.

Latest published financial statement and list of depository banks will be mailed upon request.

ADDRESS
Treasurer,
Commercial Investment
Trust Incorporated
1 Park Ave., New York, N. Y.

(CONTINUED FROM PAGE 3)

confidence in an old established institution built by consistent broadcasts, and to the fact that "The People's Bank" through this type of name publicity had become a familiar by-word.

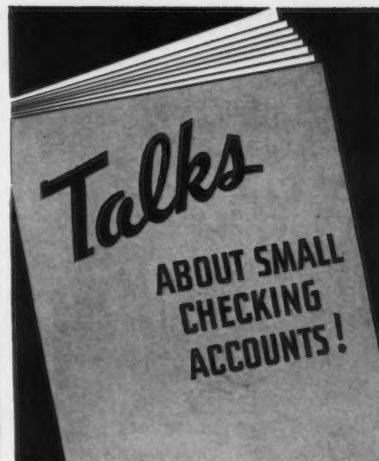
Another interesting adaptation of history is suggested by the practice of the First National Bank and Trust Company of Oklahoma City. This bank was founded on April 22, 1889—the day on which the Oklahoma territory was opened for settlement. For the past several years on April 22 the bank has sponsored a 30-minute dramatization of events during the first days in Oklahoma City history. The series has become something of a tradition, and now with the approach of the bank's fiftieth anniversary this month, the local audience is particularly anxious to see what new angle may develop. Lyall Barnhart, comptroller, reports that the program, despite the length of time between broadcasts, holds interest and is particularly well received. Furthermore, national interest has been focused on this particular day through the film version of the opening of the territory as depicted in *Oklahoma Kid*.

Anniversaries have prompted a number of banks to adopt history as a broadcast vehicle. A case example is the series sponsored some time ago by the Schenectady Savings Bank in observance of its one hundredth anniversary. Events closely identified with the bank's early growth were chosen from the chronicles of local history and dramatized in playlet form. The purpose in this instance was to publicize age and service, for which such treatment is ideally suited. The series was scheduled in quarter-hour evening periods on WGY at a cost of approximately \$1,000.

A.I.B. on the Air

THE Public Affairs Committee of the New York Chapter, A.I.B., has just sponsored a series of nine half hour programs on Station WNYC, Wednesdays, 6:15 P.M. The series covered a broad division of banking operations and was conducted in interview form with prominent local bankers representing each separate phase. The presentations were both interesting and informative and, although they tackled ambitious projects which ordinarily seem too involved for normal radio reception, they were handled effectively by means of well chosen questions and answers.

The view taken by Lewis Gurock of the Continental Bank and Trust Com-



THIS BOOKLET deals with a lively topic. May we send it to you?

**Glad to send it
if you'll ask...**

JUST A BRIEF MENTION OF A
FEW OF THE TOPICS DISCUSSED

- Bringing more people into your bank as a logical step to selling them service.
- Are most of the "best customers" of tomorrow in the mass market of today?
- Can small account service be rendered without "irritating" restrictions?
- How should small checking account service be priced?

These and many other points are discussed impartially. Just mail the coupon for your copy.

De Luxe
CHECK PRINTERS INC.,
Lithographers and Printers

Plants at: Chicago, Cleveland, Kansas City
New York, St. Paul

DE LUXE CHECK PRINTERS, INC.
900 No. Franklin St., Chicago, Ill.

☐ Please send "Talks about Small Checking Accounts".

Bank.....

Address.....

Signed.....

Announcing

NEW EFFICIENCIES . . .

NEW CONVENIENCES . . .

NEW ECONOMIES . . .



for
Profit-Wise
Banks

New Complete-in-One-Unit Carrier Air Conditioner :

● The new line of 1939 Carrier self-contained Air Conditioners is the result of 25 years experience in package air conditioning—and 37 years in air conditioning. Cooling capacity is 20 per cent greater—which means lower power costs, more cooling for less money. Improved temperature control eliminates the necessity of "extra cooling."

NEW SIZES. What's more, new sizes, new models have been added—making economical, profit-building Carrier Air Conditioning possible for every bank—large and small. Attractively styled, they may be installed in your banking quarters or located in basement or closet space.

TRUE AIR CONDITIONING. The new Carrier self-contained Air Conditioner provides true air conditioning—cooling, dehumidifying, air filtering and air circulation. And with the addition of simple equipment to provide heating and humidification, the 1939 Carrier Air Conditioner provides true year 'round air conditioning.

EASILY INSTALLED, EASILY MOVED. With this new Carrier development in self-contained air conditioners, you enjoy all the benefits of package air conditioning. It can be moved easily to a new location.

ACT NOW. Your dealer, backed by Carrier experience in providing air conditioning for outstanding banks is well qualified to aid you. Call him today. It pays!



86 CENTS A DAY—that's how little it cost one bank to end Summer heat and year round discomfort with Carrier Air Conditioning. No bank is too old—too large—too small.

CARRIER CORPORATION, Desk D36
Syracuse, New York
In Canada, Box 1050, Station C, Toronto

Without obligation, send me complete information on the new Carrier Air Conditioner for Banks.

Name

Bank

Address

City..... State.....

pany, who serves as chairman and program director, is that in featuring leading bankers the programs not only propagated accurate information on banking and related subjects, but at the same time presented these gentlemen as "real" people.

The introduction to this series on February 1 was handled by Mr. Gurock and H. Donald Campbell, president of the Chase National Bank, on the subject of commercial banking. The style chosen for the broadcast opens with a simple introduction of the speaker by way of highlighted biography. Then follows a carefully set sequence of questions and answers chosen on the basis of previous studies and observations as to what points are most in need of clarification.

Cooperating in the program was the following list of speakers and subjects: foreign banking—Robert F. Loree, vice-president, Guaranty Trust Company; savings banking—Henry R. Kinsey, president, Williamsburgh Savings Bank; industrial banking—Wallace D. McLean, chairman of the board, Morris Plan Industrial Bank of New York; investment banking—George Weiss, economist, partner, J. S. Bache & Company; central banking—W. Randolph Burgess, vice-chairman, National City Bank; trust companies—Lindsay Bradford, president, City Bank Farmers Trust Company; supervision of banks—William R. White, superintendent of banks, New York State; education of a banker—Dr. Ralph S. Alexander, educational supervisor, New York Chapter, A.I.B.

Another educational series is reported by the public education committee of the Toledo Chapter, A.I.B. Norman H. Null, chairman, has arranged 13 quarter-hour periods on Sunday evenings over station WSPD. This program is based on the *Romance of Money*, a chapterized history of banking developments over a period of centuries, developed last year by the Kansas City Chapter.

The program also features questions and answers on banking subjects. An effort is being made to interest the audience in submitting their problems in question form to the committee, which in turn will incorporate them in future broadcasts.

An educational series was also launched recently by William McC. Martin, president of the Federal Reserve Bank of St. Louis, Missouri. State directors of the National Emergency Council interviewed officers of the bank on the functions of the Federal Reserve for the audience of station WHAS, Louisville, and station WIL, St. Louis.

"Unforeseen events... need not change and shape the course of man's affairs"



GIVE THEM THE BREAKS...PUT ON THE BRAKES

The outdoor play season for school children is starting. Right now is the time for you to take two steps to insure that none of this year's traffic accidents can be charged to you.

First, drive carefully. There may be times when heedless children will step into your path from between parked cars, when you must stop in a flash to avoid a serious or fatal accident. Even 25 miles an hour may be far too fast for safety in school and residential sections.

Second, be sure that your car is in perfect mechanical condi-

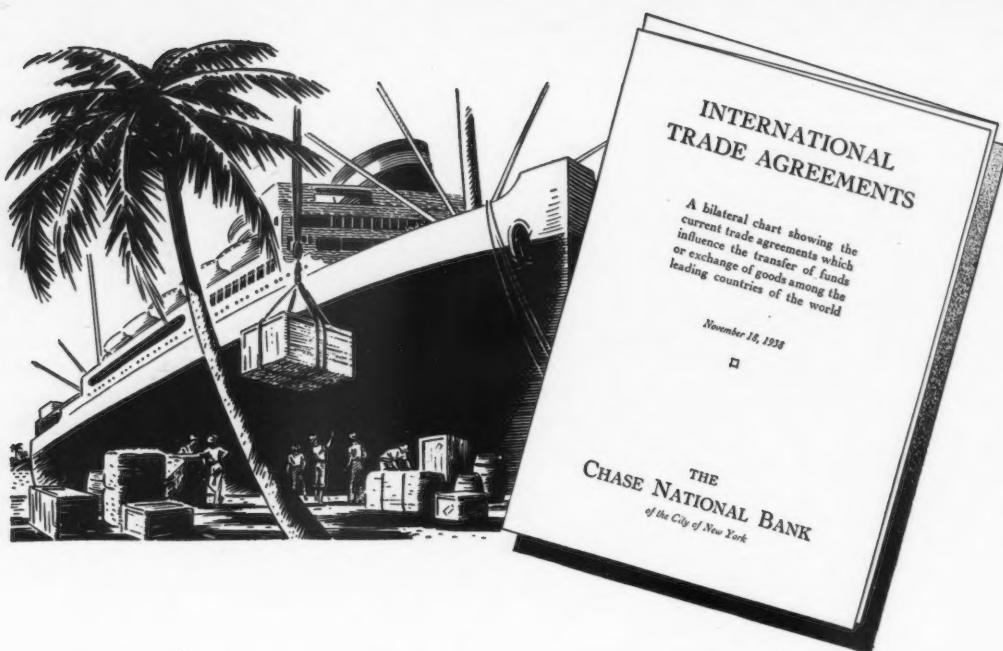
tion, ready to respond instantly to any emergency. Of prime importance are brakes. Perhaps they need tightening, equalizing, or new linings. A few dollars spent on repairs may easily save you a hundred times what it might cost in mental agony and dollars should you be involved in an accident.

* * *

Do your part in the cause of safety. Always be on the alert. Give the school girl and boy the breaks... put *on* the brakes! Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.



TODAY numerous regulations govern the shipment of goods among countries and bring special and ever-changing problems to America's foreign trade interests.

The Foreign Department of the Chase National Bank at the head office in New York is a focal point of world commerce. Here, experienced officers keep in touch with overseas developments affecting American business. Here, correspondent banks have access to current trade information and reports on financial conditions covering all parts of the world.

Our folder "INTERNATIONAL TRADE AGREEMENTS," containing in chart form a convenient reference to the hundreds of agreements under which a large part of world commerce is conducted, will be sent to bank officers upon request.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

*Chase foreign banking facilities include branches
and representatives on three continents*

JUST A MINUTE

American Equipment Abroad

To the Editor:

As subscribers to your valuable periodical, may we request that you be good enough to invite a few reliable United States office equipment firms to forward us catalogues.

We are about to erect a head office building and are desirous of equipping it with as many modern conveniences as possible in keeping with a reasonable outlay.

We are interested, principally, in counters, tellers' cages, desks and other furniture for executives' offices and clothes lockers.

G. A. BOYD
Assistant Manager
Crédit Guadeloupéen
Pointe-a-Pitre, Guadeloupe

Savings Bank Life Insurance

To the Editor:

I am a graduate student at the University of Southern California and am conducting a research project on Savings Bank Life Insurance.

Do you have any literature on this subject? I would appreciate a list with the prices, from which I can order. I intend to go quite deeply into the subject and may even write my Master's thesis on it.

J. MILTON GARRISON
Los Angeles, Cal.

A few of the titles sent to Mr. Garrison were:

Massachusetts Savings Bank Life Insurance by Clyde S. Casady. Revision of thesis, originally submitted for degree of Master of Arts, Department of Economics, Tufts College.

The Massachusetts System of Savings Bank Life Insurance by Edward Berman, University of Illinois. Bulletin No. 615 of the United States Department of Labor, Bureau of Labor Statistics. Price 10¢. Can be secured from the Superintendent of Documents, Washington, D. C.

Report to Committee on Public Relations and Survey of the Savings Banks Association of the State of New York. Re: Savings Bank Life Insurance in New York State. Published October 18, 1938, by Fackler & Co., Consulting Actuaries, 8 West 40th Street, New York City.

Radio speech of Governor Ely of Massachusetts on "Savings Bank Life Insurance" on March 29, 1934, over WBZ. Published by Massachusetts Savings Bank Insurance League, 10 Post Office Square, Boston, Massachusetts.

Savings Bank Life Insurance by Frank P. Bennett, Jr., Editor of *The United States Investor*. Reprinted from *The United States Investor* of October 26, 1929, by the Boston Five Cents Savings Bank, 30 School Street, Boston, Massachusetts.

Twenty Questions about Savings Bank Life Insurance. Leaflet published by the East New York Savings Bank, Brooklyn, New York.

President Winfield Scott Allison of the Exchange Bank, Gardner, Illinois, recently celebrated the 60th anniversary of his connection and 50th anniversary as president of the institution, which was founded by his father as a private bank in 1871



April 1939

SPECIALISTS IN

UNITED STATES GOVERNMENT SECURITIES

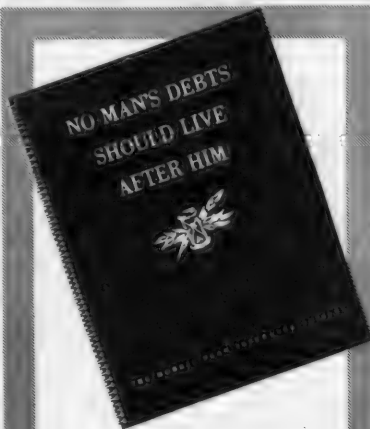
GUARANTEED ISSUES
FEDERAL LAND BANK
TERRITORIAL AND
MUNICIPAL BONDS

C. J. DEVINE & CO.

INC.
48 WALL STREET, NEW YORK
HAnover 2-2727

CHICAGO • BOSTON • PHILADELPHIA
CINCINNATI • ST. LOUIS • SAN FRANCISCO

Direct Wires to all Offices



A booklet about
PROFITS FROM
PERSONAL LOAN
DEPARTMENTS
... mailed upon request

THE MORRIS PLAN INSURANCE SOCIETY

Insurance for the Banker
on the Life of the Borrower
... Since 1917

420 Lexington Ave., New York



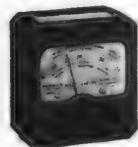
Irving Trust Company's new coffer lighting system provides 25 to 30 foot-candles at desk level, without glare or shadow. Recesses are 6 ft. square, 18 in. deep. Square metal holders conceal 300-watt G-E MAZDA lamps.

Even the experts were **BAFFLED**

LIGHTING engineers could scarcely believe their eyes when they held a Light Meter under this new installation at the Irving Trust Company's Forty-eighth Street Branch, New York City.

The ceiling brightness was so agreeably low that even an expert might have guessed a footcandle reading of eight or ten, yet the Light Meter averaged 25 to 30 footcandles at desk levels.

This happy combination of low brightness and high illumination was achieved through a ceiling installation of fifty-five matte-finished coffers, each containing a 300-watt G-E MAZDA lamp. It is just one more illustration of the many ways in which banks, offices, and stores are being light-conditioned for easier seeing, improved efficiency, and better employee morale.



Ask your electric service company to measure the lighting in your bank with a G-E Light Meter.

One important factor in the efficiency of any lighting installation is the use of the new brighter G-E MAZDA lamps. This year they give more light than ever for the same current—and they *stay brighter longer*. If you'd like practical help or advice on improving the lighting in your bank, call your electric service company, or write General Electric Co., Dept. 166-B-D, Nela Park, Cleveland, Ohio.

**GENERAL  ELECTRIC
MAZDA LAMPS**

They stay brighter longer



Resolution and report of the Chamber of Commerce of the State of New York on Savings Bank Life Insurance. Submitted by its Committee on Finance and Currency on March 3, 1938.

The Brandeis Way by Alpheus Thomas Mason. Published by The Princeton University Press. Price \$3.00.

Check Design

To the Editor:

This is with reference to the February issue of *BANKING* containing an article about our newly inaugurated bank serviced check plan.

You have given us a little more credit than is justly due, I fear, for we did not design the checks. They are a product of Dennison & Sons from whom we purchased the service.

We appreciate this "boost" and have already received inquiries in connection with the new system.

KATHERINE MOORE

Director of Publicity

National Newark & Essex Banking Co.
Newark, New Jersey

Correct Time

To the Editor:

In the February issue of *BANKING* on page 61, under the heading "Time Teller", you refer to a correct time service that has been used by a number of banks as an advertising medium. This service is referred to as the Audicron service.

We would like to know more about this service and would appreciate your advising us to whom we should write concerning it.

ERNEST L. BROWN

Vice-President

The Alamo National Bank
San Antonio, Texas

Mr. Brown was referred to the Plainfield Trust Company, Plainfield, New Jersey, the Merchants National Bank, Mobile, Alabama, and the First National Bank in St. Louis, Missouri, all of which, *BANKING* understands, have had successful experience with the device.

Geographic Slip

Mr. John J. McCann, Jr.
Radio Reporter
BANKING

Dear Mr. McCann:

On December 28, 1938, we sent you a more or less lengthy review of the radio advertising experience of the Commonwealth Bank of Detroit, whom we serve as advertising agents, and I was startled out of my usual calm to read in the article headed "Words and Music" in the February issue of *BANKING*, page 5, upper left hand column, that the "Commonwealth

Bank of Toledo, Ohio" is listed as a regular news broadcast sponsor.

The story was OK in every respect except the bank's location, and I wonder if a correction can be published in a near issue so we won't be accused of moving our clients around from town to town.

THEO. E. REEVES,
President
Reeves Advertising Co.

Automobile Financing

R. A. Bezoier, cashier, First National Bank of Rochester, Minnesota, has compiled "A Study of Automobile Financing", in some 40 pages, which he says can be supplied in mimeographed form provided the demand is sufficient. The study contains: (1) a brief discussion of the origin and development of automobile financing; (2) a review of the assets, liabilities, operations, trends, practices and policies of automobile finance companies, with a suggested simple analysis to be used as a basis for properly judging their credit; (3) examination of the record and appraisal of the present position occupied by automobile finance companies as quasi-banking institutions and borrowers of immense sums from commercial banks; (4) suggested practices and policies for banks to follow in making direct loans on automobiles.

Morris Plan

To the Editor:

I notice in the January issue of *BANKING* the following statement on page 83 under "Questions and Answers":

"Morris Plan Banks . . . are now, therefore, very similar to other state chartered banks, except that they have no trust powers."

I thought you would be interested to know that The Morris Plan Bank of Virginia has a full state charter in Virginia, including trust powers, which we have from time to time exercised in a small way.

G. M. UNDERHILL
Assistant Cashier
The Morris Plan Bank of Virginia
Richmond, Virginia

Clear Statements

To the Editor:

I am enclosing Ward Schultz' financial column in the *Detroit Times* for January 29 and February 5 referring to bank earnings. While these pretty much explain themselves, I think it is of interest that the campaign for clarified bank earnings statements was started here, with the banks in full cooperation with Mr. Schultz, who is the financial editor of the *Detroit Times*.

J. L. S. SCRYMGEOUR
Financial Advertising
Detroit, Michigan

"Dear Bill:-
I can teach a young
dog old tricks"...



"Even if you *are* my nephew, there's no sense in your starting out on your business career like an old fogey. Frankly, I was shocked yesterday at your old-fashioned methods—I didn't even see an Ediphone in your office. Don't you know, lad, that men who use Ediphone Voice Writing work only two-thirds as hard and accomplish more than men who do not!"

"And take that efficient secretary of yours. You kept her hanging around for 20 minutes while you talked on the telephone. Then you dictated a memo to her based on the 'phone conversation. Then you held up the rest of your dictation while she typed the memo (which you wanted to get out right away). That used to go in the old days,

but not now! With an Ediphone you don't have to wait for your secretary and *she* doesn't have to interrupt her work to be with you.

"But don't get the idea that the Ediphone is only for dictating letters. It records appointments, disposes of details, takes down your thoughts—lets you give instructions to your secretary any minute you want to, even when she isn't there. Honestly, boy, if I'd had an Ediphone ten years earlier, I'd have cut my work down to nearly half—enjoyed life more—and perhaps tucked away my nest egg years earlier."

Take a tip: telephone the Ediphone, your city, or write Dept. K4, Thomas A. Edison, Inc., W. Orange, N. J. In Canada, Thomas A. Edison of Canada, Ltd., 610 Bay St., Toronto.

SAY IT TO THE

Ediphone
EDISON VOICEWRITER

THE REBIRTH OF AN INDUSTRY

Four short years ago one of America's great industries seemed headed for oblivion. A new kind of competition appeared to have it completely beaten. People were thinking of its product as "old-fashioned" — ceasing to use it as rapidly as they were able. In eight years the industry's total annual output had dropped some twenty-seven per cent.

Then something happened. This "sick" industry sat up — looked around — united its various elements for action.

This was in 1935. The industry was the Ice Industry. In the four years that have passed it has made great strides — new and better refrigerators have been developed through *technical research* — improved service to the public has been provided through intensive *employee training* — the industry has learned to sell its product instead of waiting for it to be bought — it has invested a million and a half dollars in co-operative national advertising — while individual companies have expended double that amount in local advertising.

To tell all the details of what the Ice Industry has done would require pages. But the *results* can be summed up in a few words.

People the country over — housewives, storekeepers, builders, home economists, editors — are once again conscious of ice refrigeration, interested in ice as a refrigerant. The advantages of modern ice refrigeration — and it has many — are being recognized. The steep downward slide of ice tonnage production has been halted — the sales curve is turning upward.

An Industry has been reborn.

NATIONAL ASSOCIATION OF ICE INDUSTRIES
228 North LaSalle St., Chicago

This Advertising is Sponsored by the Certified Members of the Ice Industries of the United States and Canada

An excerpt:

However, one fact does stand out. All bank earnings should be computed on the same basis. Until this is done, no one can know just how Detroit's banks actually compare, and wholly ridiculous comparisons will be made, which helps none and is harmful to all in the long run.

This situation is not peculiar only in Detroit. It exists all over the country.

He Plays 8 Pieces at Once

To the Editor:

I feel that I should call your attention to the following, which appeared in the December "Personal Column" of BANKING, under the caption of "Musicians":

"Robert J. Kiesling, President, Camden Trust Company, Camden, New Jersey, is an outstanding chess player."

Perhaps you will be kind enough to inform your readers what sort of a musical instrument a chess player uses.

MERRIL HALLOWELL
Chief Clerk
Camden Trust Co.
Camden, N. J.

Nonsense Exposed

To the Editor:

Please accept my compliments on the recent issues of BANKING. I appreciate particularly the idea of limiting the articles in length. A copy of your magazine going to one of the financial editors here did a fine job for us recently in stopping support of a radical financial idea, the folly of which was presented in one of your articles.

ALLAN HERRICK
Advertising Manager
Security-First National Bank
of Los Angeles

Counterfeit Relief

To the Editor:

Sometime ago I wrote to you asking permission to use some material from the October issue of your magazine in preparing a counterfeit warning, which permission you were kind enough to give.

The circulars were printed and distributed to Charlotte's retail establishments. While I cannot say that the circulars were responsible, it is a fact that only one piece of counterfeit was picked up in Charlotte during the holidays and that was passed the day before the circulars went out.

W. F. PHILLIPS
Assistant Cashier
Commercial National Bank
Charlotte, North Carolina

In a four-page folder, with the bank's imprint, retailers were given the following warning (clues to counterfeits were
(CONTINUED ON PAGE 15)

...BUT BANKS AREN'T That DIFFERENT!



Granted, banks differ in many respects from other types of business.

Granted, banking figure-work routines differ from routines of other businesses.

But banks aren't THAT different — that they can afford to ignore

COMPTOMETER ECONOMY!

Especially is this true since the introduction of the COMPTOMETER BANK PROOF UNIT, built especially for banking use.

This new Comptometer unit applies traditional "Comptometer economy" to banking procedure by making available these three economy factors:

GREATER SPEED

achieved without sacrifice of accuracy.

SIMPLIFIED ROUTINE

eliminating costly waste motion.

COMPELLED OPERATING ACCURACY*

The Comptometer proof plan in the book-keeping department actually proves the accuracy of each individual posting. You do not have to go through your entire posting procedure before you know you are in balance. The Comptometer proof plan spots each error immediately!

Ask your Comptometer representative to prove this in your own office. Telephone your local Comptometer office — or write direct to FELT & TARRANT MFG. Co., 1711 N. Paulina St., Chicago, Illinois.

*COMPTOMETER ACCURACY is literally compelled by the Controlled-Key (which checks "fumbled" or incomplete key strokes) and by other exclusive Comptometer accuracy safeguards.

COMPTOMETER

**BANK
PROOF
UNIT**

1889

1939

Fifty Years Forward

April 22, 1889 marked the opening of the Oklahoma country to settlement... and the founding of Oklahoma City and The First National Bank and Trust Company.

We will hold "open house" Saturday, April 22, in observance of our golden anniversary and cordially invite our friends and customers to be with us then. For those who cannot be here, we will send an interesting historical booklet to those who write for it.

Fifty Years Old! But modern as tomorrow... vigorous for constructive growth... enthusiastic for the future... eager to serve your interests in a forward-looking community.

Resources more than 60 million

*Builders of a Bank-
Through the Years*

**FIRST NATIONAL BANK
AND TRUST COMPANY**
OF OKLAHOMA CITY



printed on the inside pages and page 4 told what to do if a counterfeit should be received):

Dear Mr. Retailer:

Each day that passes you are a possible victim of COUNTERFEIT MONEY! We are cooperating with the United States Secret Service, Treasury Department, to prevent you from having any losses from COUNTERFEIT MONEY.

At this particular time of year when there are so many people traveling through North Carolina on the way South the passing of COUNTERFEIT MONEY seems to be more prevalent than at any other time of the year. It would be a good idea, therefore, to examine all currency offered to you by strangers, of course keeping in mind that there are some genuine bills which might happen to have the same numbers as set forth in this circular. These marks of identification are given you in order that you will examine more closely the bills bearing these numbers. . . .

We realize that when COUNTERFEIT is being passed locally the merchants are usually the victims and we hope that this circular will prove helpful to you and keep you from being victimized as some of our merchants have been in the past.

Railroad Statistics

To the Editor:

The August issue of BANKING contained an interesting, if not highly convincing, quotation from an address by the President of the Association of American Railroads before the New York State Bankers Association. The wages statistics looked like trick statistics, undoubtedly correct but in all probability quite misleading.

It would be more to the point if the railroads were to give out comparative statistics on the cost of conducting transportation, after excluding all official and supervisory salaries in excess of \$6,000 a year, and the cost of locomotive fuel; the cost of maintenance of equipment and of maintenance of ways and structures with the same salary exclusions, comparative figures for the above exclusions, and comparative figures on debt service. It would also be interesting to know how railroad taxation would be affected if a 40 per cent tax were placed on locomotive fuel (about what owners of trucks and automobiles pay in addition to ad valorem taxes and road and bridge privilege licenses), and all other forms of taxation on railroads were abandoned.

There is more to the railroad situation than meets the eye and greets the ear, and statistics must be made from numerous angles before the complete story can be unfolded even as to facts, to say nothing of policies. And one inclines to the belief

(CONTINUED ON PAGE 17)

GMAC

GENERAL MOTORS ACCEPTANCE CORPORATION

is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUX-HALL, OPEL, BLITZ—

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.

GENERAL
MOTORS
INSTALMENT
PLAN

These NOTES are available, in limited amounts, upon request.

EXECUTIVE OFFICE NEW YORK • BRANCHES IN PRINCIPAL CITIES



Wives, too!

At the Hotel Roosevelt they are so close to smart shops and all other attractions of mid-town New York, that they never—well, hardly ever—complain about the time their busy husbands spend popping about town from meeting to meeting... Roosevelt convenience, in the heart of Manhattan, enables folks to see and do more—in comfort... Try it!

HOTEL ROOSEVELT

BERNARD G. HINES, Managing Director
MADISON AVE. AT 45th ST., NEW YORK
Direct Entrance to Grand Central Terminal

ONLY 20 MINUTES BY EXPRESS SUBWAY TO THE WORLD'S FAIR

Serving the Business that Builds Baltimore

SINCE 1894



MARYLAND TRUST COMPANY BALTIMORE

Member of the Federal Reserve
System and of the Federal Deposit
Insurance Corporation



Look at it from the PROFIT viewpoint



A Crane Family Planned Kitchen combines step-saving efficiency with the charm and livability that people want today. Here, too, Crane quality guards investment values.

ALMOST anyone would agree that this is an attractive bathroom—distinguished in its fixtures, charming in its arrangement. But it's really more—far more—than that. From the lender's standpoint, it has superior dollars-and-cents advantages. First of all, it has Crane quality—quality that can stand abuse—quality that keeps repairs and replacements down. In styling, it has the kind of beauty that will *last*—that will be fresh and attractive years from now. In cost, it exactly fits the type, price and location of the house in which it is installed.

Crane bathrooms—Crane kitchens—Crane heating systems—receive the approval of lending agencies because they offer *better security for the loan* and the promise of higher resale value. For modernizing existing houses, or building new ones, investigate the hard-headed soundness of Crane-Equipping throughout—and the advantages of dependable undivided responsibility back of all plumbing and heating equipment. Convince yourself of the better value of Crane Quality—at your local Crane Display Room or consult a Crane Plumbing Contractor.

CRANE

CRANE CO., GENERAL OFFICES: 836 SO. MICHIGAN AVE., CHICAGO
VALVES • FITTINGS • PIPE • PLUMBING • HEATING • PUMPS

NATION-WIDE SERVICE THROUGH BRANCHES, WHOLESALERS, PLUMBING AND HEATING CONTRACTORS

(CONTINUED FROM PAGE 15)

that if railroad management had years ago listened to the advice of locomotive engineers to run more trains on faster schedules with lighter equipment, the property investment would be lighter and the rail carriers in a greatly improved competitive position.

ROY C. BROWN, C.P.A.
T. J. Hargadon & Company
Meridian, Mississippi

Banking Code

To the Editor:

On page 77 of your November 1938 issue you reproduce the Code of Banking Practice and Ethics, adopted by the Missouri Bankers Association. We will consider it a special favor if you will obtain for us a copy of this publication.

K. A. ZILKHA
Maison de Banque
Beyrouth, Liban

To the Editor:

In the November issue (page 77) of BANKING I noticed an interesting facsimile containing a "Code of Banking Practice and Ethics" from Missouri.

Will you please tell me whether you have the like "liferules" from other local associations in the U. S. A. and in that case forward copies thereof to me as a Danish colleague.

W. JENSEN
Manager
Handels-Og Landbrugsbanken
Thisted, Denmark

These requests were referred to the Missouri Bankers Association.

Sunday Observance

To the Editor:

I am seeking some reference material illustrating the observance of Sunday by retailers or individuals, such as the policy followed by Wanamaker's for a great many years in refraining from newspaper advertising in Sunday editions and the closing of their window displays on that day.

Anything closely akin to this subject, illustrating the influence of the Sabbath either on a particular industry or an outstanding individual, from an observance and reward standpoint, that would lend itself to discussion with a business man's church school group would certainly be appreciated.

NORMAN F. EDWARDS
Commercial Acceptance Corporation
Knoxville, Tennessee

BANKING would be interested in hearing from readers who have information on this subject.

Accounts Receivable

To the Editor:

Being a subscriber to BANKING, it has been my privilege to review the articles presented by E. S. Woolley.

Wall Street, about a century ago.



One Hundred Years of Banking Service: 1839—1939

THIS YEAR marks completion of a century of service by this Bank, begun by the Bank of Commerce in New York in 1839, merged with the Guaranty Trust Company of New York in 1929, itself organized seventy-five years ago.

From its inception this Bank has been prominently identified with commercial banking. Today, with eight European branches and more than 8,000 foreign and domestic correspondents, it affords complete, world-wide facilities.

Over a long period of years this Bank has also provided complete trust service.

We invite inquiries regarding our service to our banking correspondents.

Guaranty Trust Company of New York

140 BROADWAY

FIFTH AVENUE AT
44TH STREET

MADISON AVENUE AT
60TH STREET

LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

Member Federal Deposit Insurance Corporation

Copyright, Guaranty Trust Company of New York, 1939

INTERDEPENDENCE is the striking characteristic of our independent American banking system.

The sound, well-managed banks for which and through which this Bank does business are its best guarantee of strength and service.

Upon the success of others, our own success must depend. No stream can rise higher than its source.

... THE ...

**PHILADELPHIA
NATIONAL BANK**
ORGANIZED 1803

PHILADELPHIA, PA.

Capital, Surplus and Undivided Profits
\$40,000,000

Member of Federal Deposit Insurance Corporation

I personally regard the aging of accounts receivable to be of decided importance to the credit grantor, and yet, if such information is to be made generally available, the average business man who is asked to assume the expense of compiling such information must understand the value of such records to the conduct of his business.

GEORGE BENNER
Credit Manager
Bayuk Cigars Incorporated

Mr. Benner has in mind, of course, the article on page 28 in the January issue.

Investment Lectures

Letters have been received asking for more information regarding the series of lectures on investment being given under the auspices of the New York State Bankers Association, as described in March *BANKING*, page 19. Several correspondents have inquired whether the lectures can be obtained in printed form.

Such inquiries are being referred to W. Gordon Brown, Executive Manager, New York State Bankers Association, 33 Liberty Street, New York City.

Bank Records

To the Editor:

Please let me know if during the last three or four years your magazine ever published a study on the length of time after which the various records of a bank may safely be destroyed.

I remember having seen such an interesting study with a table of records compiled in accordance with the various laws and terms of the Statute of Limitations, but I am not sure of the name of the magazine; I believe, however, that it appeared in an issue of *BANKING*.

A. MATTEINI
Banca Commerciale Italiana Trust Co.
62 William Street
New York, N. Y.

The length of time after which some bank records may be destroyed is stated on page 67, December issue, in the "Questions and Answers" section of "Ask *BANKING*". The subject has been discussed in previous issues of the magazine, also.

Investment Study

Subscribers have inquired about a booklet mentioned on page 52 in the March issue of *BANKING*, *Bond Investment Policies for Banks*. This publication can be obtained from the Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor. The price is \$1.

"The men who direct the destinies of an institution are as important an indication of its strength as are the figures of its financial statement."



Announcement

This compact body of able, outstanding business leaders of the Northwest has *actively* directed the affairs of Northwestern National Life during a notable period of its development. Three of these men have served on N^WNL's Board of Directors for more than thirty-three years, and none has served less than eleven years — they average over twenty-one years of service. N^WNL salutes this distinguished Board, which has established a tradition of *security* that has placed N^WNL among the soundest of the nation's life insurance companies . . . and welcomes to its Directorate Mr. G. Nelson Dayton (elected January 30, 1939) who will henceforth contribute his sound business judgment to its counsels.

→→→→ N^WNL's Board of Directors ←←←←

"It has been an important feature of the management of this company that its affairs are actively supervised by its directors."—*Best's Life Insurance Reports*

F. A. CHAMBERLAIN
Chairman Executive Committee,
First National Bank and Trust Co.

E. W. DECKER
Decker, Barrows & Company

C. T. JAFFRAY
Chairman of Board, Minneapolis,
St. Paul & Sault Ste. Marie Ry.

THEODORE WOLD
Chairman of Board, Northwestern
National Bank & Trust Co.

E. L. CARPENTER
Chairman of Board,
Shevlin, Carpenter & Clarke Co.

A. F. PILLSBURY
Treasurer, Pillsbury Flour Mills
Company

T. F. WALLACE
Chairman of Board,
Farmers & Mechanics Savings Bank

FRANK T. HEFFELFINGER
President, F. H. Peavey & Company

O. J. ARNOLD
President, Northwestern National
Life Insurance Company

G. NELSON DAYTON
President, The Dayton Company

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

STRONG

Minneapolis, Minnesota

LIBERAL

April 1939

19

STARVATION WAGES

With money working for starvation wages, the efficient management of your bank's bond investments is becoming not only an increasingly perplexing problem but also a problem of growing importance.

Notwithstanding the low yields provided by high grade bonds and even with the drastic reduction in bank earnings, the bond account today is contributing a greater proportion of earnings than ever before.

To the conflicting necessities of conserving assets and simultaneously increasing income, Moody's offers no simple solution. But Moody's *does* offer the most practical help your bank can employ in the present situation—the full-time services of a group of mature invest-

ment specialists working constantly on the supervision of your bank's investments to improve quality, liquidity and yield.

While no group, however able, can *create* investment opportunities which do not presently exist, nevertheless such an organization will normally achieve over a period of time more efficient investment of funds than one man working alone.

How much Moody's Bank Supervisory Service can accomplish for your bank and how much this Service will cost, can be determined only after we have examined your portfolio and know your needs for safety, liquidity and income. This we will do, in confidence and without obligation, on request.

MOODY'S INVESTORS SERVICE

JOHN MOODY, *President*

65 BROADWAY

NEW YORK CITY

105 WEST ADAMS STREET, CHICAGO



Financing Young Career Farmers

By ROY P. STEWART

MR. STEWART is Executive Secretary, Future Farmers of America, Oklahoma Association.

A GROUP of Oklahoma high school boys, members of the Future Farmers of America, care more about agriculture than they do about Shakespeare. Two thousand and six of them have disdained the advice of Polonius, "Neither a borrower nor lender be, for borrowing oft dulls the edge of husbandry," by getting \$78,153.86 in loans from Oklahoma bankers in the past two years.

As vocational agriculture students, the boys must carry on some type of a supervised farm training project. Bank loans they have obtained form a hub from which radiates a \$425,000 investment in the business of farming by 7,200 FFA members in Oklahoma—still in high school or just graduated. In this, although they are minors, the boys are already taking up their share of the toilers' burden, for, despite its widely advertised oil and other mineral wealth, Oklahoma derives more than one-third of its annual new wealth from agriculture and livestock.

Of bank loans the farm boys obtained the past two academic years, \$71,821.36 was used to purchase livestock and poultry. With the exception of beef steers purchased for feeding and exhibition projects, FFA boys have bought more breeding stock than market or fat animals. That is where the "future" of the Future Farmers of America comes in—for breeding animals are foundation stock which in hundreds of cases have given a farm boy his start in life before he finished high school.

1,125 YOUNG OKLAHOMANS

DURING the school year 1937-38, banks lent to 881 boys in 97 schools out of the 135 which had FFA chapters, an average of \$40.13 each, or an average total of \$344.31 to each school. In the present academic year—but one-half gone—loans to 1,125 boys in 122 of the total 162 chapters in Oklahoma, have averaged \$38.05 each, an average \$313.31 for each school, in both cases taking into account only those schools with members making one or more loans.

That was business for the bank in the ordinary sense, for only six banks failed to charge interest on such loans. Nearly three-fourths of them charged the customary rate for short term loans and all loans were secured by mortgages on the purchased projects.

But—these loans were more than business transactions. In

each community they were as bread cast upon water which will return one day crisply toasted, buttered, and in many cases evenly spread with delectable preserves.

Because they arrange loans themselves and handle all details as adults would, boys learn business methods. That's the toast. They sign the notes, they realize that it is a business relationship between them and the bank, and that the care which they give the project will certainly result in personal profit or loss, without recourse to parents or adult friends.

Butter on the toast comes from the fact that boys have more interest in pure bred stock, registered breeding animals, records and improvement practices with livestock, soils and the home surroundings than their elders. They do not have so much to unlearn, nor old practices to forget, before adopting new, but tried, methods.

An appetizing spread on the imaginary bread cast by bankers is the new hope in a future, and opportunities of the present, given high school boys who are obtaining practical training but lack finances to secure good projects. An added layer is the new enthusiasm which gradually seeps into the working and home life of their parents, tenant farmers by a state majority.

BORROWED CAPITAL AT WORK

WITHOUT exception, introduction of good stock into their areas by these boys has raised the standard of animals in that vicinity, to say nothing of other improved practices and contributions to the productive scale. In many cases their work was made possible by bank loans; in all cases it was encouraged by bankers whose office windows faced the street.

For a random example of borrowed capital at work—there are others better and a number worse—there is Tahlequah in the sub-marginal Eastern Oklahoma hills. There, 57 FFA members in the past 17 months have introduced \$2,800 worth of pure bred stock at cost price into the community. The present valuation of their stock is set at \$4,600, a figure more than 16 times greater than the average farm income from livestock and its products in that county last year. Their largest purchases were in swine and the reason for it—770 farms in the county had no swine at all last year.

In the past two years there were ten Oklahoma towns in which bank loans to FFA boys totaled \$1,800 or more. With T. D. Call in the role of Abou ben Adhem, the name of the

Bank of Cyril led all the rest, for this small bank, located in Cyril with its population of 922, was the ardent backer of the town's FFA chapter and that of nearby Cement, with a census of 1,117. To boys in the two chapters, Mr. Call, executive vice-president of the bank, lent \$6,979.50 in the two-year period and was one of the first Oklahoma bankers to back the FFA desire for a new day in agriculture.

Mr. Call attends every junior stock show or fair in which boys from these chapters compete. So helpful has been his encouragement of their work that he has been made an honorary Junior Master Farmer by the state FFA association.

He and his associates annually give a parent-and-son banquet for the two chapters. Last year, several out-of-town guests attended, including the governor and lieutenant-governor of the state.

The ten towns in which FFA boys borrowed the largest sums during the past biennium have, without exception, strong livestock programs. They have a number of young breeders of registered stock and good records as exhibitors at shows and fairs, the window dressing of a good youth program and the best method of holding a boy's interest.

Eight of the towns' banks lent over \$1,000 in 1937-38, while three of the eight and two others had loans exceeding a similar amount during the school year 1938-39. Eleven had loans in excess of \$500 the first of the two years and 13 had boys' signatures on paper exceeding that amount in the second year.

Average bank notes over the state were smaller the second of the academic years surveyed despite an increase in FFA members. A majority of the first group of loans were used to purchase breeding stock and boys consequently raised more of their animals, fulfilling one expectation and desire of the program.

LENDING ARRANGEMENTS

ALTHOUGH a majority of banks base their loans on an amortized 10 per cent basis, there are variations due to personal interests in a specific program. For example, boys at Cooper-ton, a consolidated school district, go to nearby Roosevelt for funds. Through C. A. Smelser of the Security State Bank there, they may borrow project money at 8 per cent with a six months' limit. Interest paid on loans is placed in a separate fund and when all notes are paid it is given to the chapter treasury for use on group objectives.

At Perry, through L. E. Plumer of the First National and Ora Hall at the Exchange bank, boys pay a flat \$1 interest fee regardless of amount or length of loan. At Ponca City, where the majority of loans are on breeding dairy cattle which have made up the nation's largest FFA herd of registered Ayrshires, the rate is 2½ per cent extended over a two year period. H. W. Koenke, president of the Security Bank of Ponca City, and F. M. Overstreet, cashier of the First National, are officials most frequently consulted there.

Roy Ward and Ora F. Baird, officials of the Wellston National Bank in the town of the same name, lend boys money at the regular short term rate, and give a \$10 award to the chapter member who makes the best project record with swine.

Last year, 43 of the state's chapters conducted their own thrift banks, accepting small deposits and making minor loans to members who wanted to purchase projects. They had their own officers and directors who passed on all loan applications. They used regular banks for depositories of the \$1,895.86 which boys had to their credit in minute accounts.

A high point in cooperation between a chapter thrift bank and a regular institution has been reached by the Ames FFA group and the Bank of Drummond, at Drummond, of which F. A. Horrall is executive vice-president. Now two years old, this little thrift bank has all 60 members at Ames as depositors, with current accounts totaling \$360 and outstanding project loans of \$60.

It is of interest to see what the 881 boys who made bank loans in the year 1937-38 did with the money. They purchased 90 head of dairy cattle, 74 head of breeding beef cattle, 184 beef steers for market and show, 487 breeding gilts and sows in five breeds of swine and 423 fat barrows for market-show hogs. They bought 220 head of breeding sheep, 95 fat lambs for exhibition and market, 10,366 head of production poultry and borrowed a total of \$1,754.50 to purchase feed, implements, build outbuildings and for other purposes in connection with their program.

SOME STATISTICS

WITH the exception of poultry, where the heavy buying period is Spring, all totals for 1938-39 are larger, due to an increase of 29 vocational agriculture departments and subsequent FFA membership. There were 1,125 boys who made bank loans to purchase 111 head of dairy animals, 116 breeding beef heifers and cows, 213 beef steers for feeding and show, 580 breeding swine, 449 fat swine, 450 breeding sheep, 116 fat sheep, 7,480 head of poultry, and a total of \$4,578 for all other projects and improvements.

Today, FFA members in Oklahoma own more than 22,000 head of livestock, of which more than 80 per cent are pure bred. They have brought more registered sires and dams into the state than has any other group. They own 162,000 head of poultry in 17 varieties of production and exhibition birds; they have 48,000 acres of crops; their investment in implements and equipment is \$52,306.80; in outbuildings, such as scientific farrowing houses, brooder houses, pens, creep and other self-feeders, they have invested \$51,459.

The 7,200 members own their own 120-acre Summer recreational camp in the northeastern part of Oklahoma on the scenic Illinois River. They acquired it by use of their own funds from yearly dues of 35 cents each, and contributions from instructors and interested friends such as oilman W. G. Skelly of Tulsa. The 1938 total labor income of Oklahoma FFA members from their various vocational agriculture projects amounted to \$95,269.53, according to J. B. Perky, state adviser. Included in the total is the 10 cents per hour the boys paid themselves when actually working on projects, and the balance represents gain when the project was closed.

From such men as Dan W. Hogan, president of the City National Bank and Trust Company, Oklahoma City, FFA boys get help and encouragement in many ways. Mr. Hogan has a standing offer to lend any FFA boy the money to buy stock at 6 per cent. If the project should die through no fault of the boy and despite his efforts to save it, no payment of either interest or principal is expected. He wears a gold membership key also.

So does F. S. Hurd, president of the First National Bank, Broken Arrow, and for many years a hard working member of the agriculture committee of the Oklahoma Bankers Association.

Readers of this article will also be interested in "Career Farming", a picture story on page 37.

Fraud Detection and Prevention

By F. BRADSHAW MAKIN

The author, a resident of England, writes frequently in this magazine on interesting aspects of British banking.

A SOMEWHAT outstanding, though little noticed, feature of British banking is the remarkable smallness of the losses suffered by reason of misdemeanors on the part of the staff, whether of theft, embezzlement, forgery or falsification of accounts. The aggregate annual loss for all the British banks arising under the head of staff delinquency is so small as to be negligible both actually and relatively.

Two main factors contribute towards this immunity, namely, the care exercised in the selection of the personnel and the control maintained by head office, together with the system of inspection operated by each bank. The method of personnel recruitment was treated in BANKING'S May 1938 article, "Career Bankers 16 to 55". The present article aims to deal with the control aspect.

The control exercised over all branch banks is of a two-fold nature. Firstly, each branch must work according to the policy plan of head office, and though the branch manager is granted a limited discretion he must apply to headquarters for confirmations or special sanctions as required. Furthermore, head office is kept in constant touch with the true position by means of regular weekly and monthly reports, authenticated by the branch manager. Secondly, and of particular importance, is the practice of inspection of all branches, a work under the sole control of a chief inspector, who incidentally is not subjected to head office domination but is answerable only to the general executive of the whole organization. The chief inspector alone decides when and how inspection, whether of head office itself or any branches, shall be carried out, and it is futile for any manager to attempt to raise objections. Actually a manager does not know the date of an inspection and his first intimation is the arrival at the office of the men who are to carry it out. Speaking generally, it is usual for at least two interim inspections to be made during a 12-month period, in addition to a full examination every two years. It must be clearly understood that the bank inspection is in no way related to the annual audit and verification of assets that is carried out by the independent auditors to the company.

AN INSPECTION

THE inspectors, two or more in number depending on the size of the office, usually arrive at the branch prior to the staff, and on the arrival of the latter take over complete control of all keys after having ascertained that the keys are held by the right persons. Control of keys denotes control of all cash, and no member of the staff is allowed access to the cash until it has been verified and found to agree with the book records. The checking of cash is an important matter and consists of an actual count of all bank notes on hand. Silver coin is verified by weighing, though each bag or packet is scrutinized to make sure that the contents are as stated.

Copper coins in packets are taken at their stated value subject to content examination. Postal orders, money orders and local checks not cleared are all examined, listed, and the totals agreed.

The whole of the securities kept at the bank, whether deposited as cover for loans or held for safe custody, are maintained under the inspector's control until they have all been examined and verified with the register of securities. As this work takes some little time, the staff are precluded from handling any securities until the verification is completed.

New securities are examined for technical points and inaccuracies and to see that they are adequate when deposited as collateral. As securities are considered as second in importance to cash the examination is particularly thorough and demands the actual production of all bonds, deeds, etc., that may be out with attorneys. The whole of the bills in the portfolio, both inland and foreign, are thoroughly examined whether they be for collection or negotiation, etc., and the individual totals agreed with the corresponding figures in the bill's account in the general ledger.

CUSTOMER BALANCES

WHILE the above work has been going on, an inspector will have been engaged on extracting a full list of all customer balances, both debit and credit, for all types of account, i.e., current, deposit and savings, and agrees his total with the control accounts in the general ledger. The transactions on each account since the last inspection are scrutinized, particularly in the case of accounts overdrawn, where special attention is given to the size of the account, the overdraft limit and similar matters. Overdrafts beyond the limit of the manager's discretion must be authenticated by head office sanction.

In addition to extracting a list of customers' accounts, the inspectors compile a statement of all balances in the bank books and so make up a balance sheet for the particular branch. In this statement appears an account titled "head office account" which represents the indebtedness or otherwise of the branch to head office, and the opposite number of this is, of course, found in the books at headquarters.

On the termination of an inspection a confidential report is made by the inspectors to their chief.

It is generally agreed that though the examination made is in practice exceedingly thorough there are certain types of fraud, particularly forgery, which are difficult if not even impossible to detect by an inspection, especially so when the delinquent is in the position of manager. On the other hand frauds difficult of detection automatically come to light within a period of six months to a year, a fact that is well known to all members of the staff, and which acts as a strong deterrent. Finally it must be admitted that the thoroughness of the average inspection, the uncertainty as to its date, and the independent control maintained over the inspection staff does, without doubt, make unduly difficult the way of the transgressor.

The Gold-Plated Dollar

By HERBERT M. BRATTER

MR. BRATTER, a Washington writer and author of books on economics and monetary problems, was formerly in the Department of Commerce. He has studied economic conditions on the spot in both Europe and the Orient.

THE President's request for extension of the life of the \$2,000,000,000 stabilization fund and of his powers, temporarily granted, to reduce further the gold content of the dollar serves to bring gold again to the fore. But more important is the continued inflow of the yellow metal owing in part to the uncertain political situation in Europe, and in part to the attractiveness of this country's unlimited demand for gold at the official price of \$35 an ounce.

Whether the present state of affairs will be prolonged indefinitely is a question. The inflow of gold shows no signs of permanently abating, and the absorption of unwanted billions of the metal is an increasing burden to this country. The metal must be absorbed by, if not into, the currency and banking system. Through Treasury "sterilization" of gold and through increased bank reserve requirements, the American nation is financing the busy mining industry of South Africa, Russia and many other countries.

Just how gold now fits into our monetary system is a puzzle to many people. What kind of a currency do we have? Is it on the gold standard or not? If not, is it on the silver standard or is it a "managed currency"? Or is some of our currency redeemable in silver and some in gold? Such questions are quite common, and public confusion is understandable.

The several kinds of currency in use in the United States are classified in the Treasury's *Circulation Statement of United States Money* for December 31, 1938, as follows:

KIND OF MONEY	TOTAL AMOUNT (in millions)
1 Gold.....	\$14,511 (a)
2 Gold certificates.....	(11,873) (b)
3 Standard silver dollars.....	547
4 Silver bullion.....	1,138
5 Silver certificates.....	(1,595) (b)
6 Treasury notes of 1890.....	(1) (b)
7 Subsidiary silver.....	376
8 Minor coin.....	159
9 United States notes.....	347
10 Federal Reserve notes.....	4,790
11 Federal Reserve bank notes.....	28
12 National bank notes.....	203
13 Total.....	\$22,099

(a) Does not include gold other than that held by the Treasury.

(b) These amounts are not included in the total, since the gold or silver held as security against gold and silver certificates and Treasury notes of 1890 is included under gold, standard silver dollars, and silver bullion, respectively.

Cf. earlier articles by this writer in *BANKING*: September 1931, "America's Gold Business"; December 1932, "The Career of Gold and Silver since 1817"; November 1935, "The Currency of the United States"; August 1937, "Gold's Last Eight Years".

The gold, as everyone knows, is not physically in circulation; nor are the gold certificates, which, now issued only to Federal Reserve banks, are, like the credits in the gold certificate fund in Washington, merely evidences that at one time or another gold has been turned over to the Treasury. These certificates are not really currency, and they are not convertible into gold for domestic monetary circulation.

Of the 547,000,000 standard silver dollars listed in the table, 459,000,000 were held in the Treasury as security against silver certificates and Treasury notes of 1890 outstanding. The fourth item, silver bullion, represents only that portion of the Treasury's uncoined silver which has been set aside as reserve against silver certificates outstanding. The table does not include a very large amount of silver held in the Treasury's general fund.

While items 1, 2 and 4 are not currency which physically circulates from hand to hand, they represent the backing of other items in the list. Items 5 and 6 in the table represent paper money which any holder may redeem in standard silver dollars, i.e., in silver coin. In practice, in accordance with Public Resolution No. 10 of 1933, such items, like all other currency of the United States, are freely exchangeable for any other kind of United States currency. Therefore it may be said that, in practice, a silver certificate is redeemable not merely in silver coin, but in any form of currency currently issued in this country for circulation. The same applies to all other kinds of currency listed in items 3, and 5 to 12 of the table, none of which, it should be noted, are redeemable in gold coin or bullion for monetary use in this country.

RELATIONSHIP IS REMOTE

FOR all practical purposes, therefore, about the only relationship in domestic use between the various kinds of currency and gold is simply that the amount of the country's gold stock exercises remote and incomplete influence on the potential or issuable volume of Federal Reserve currency. The volume of the Federal Reserve System's note circulation and deposit liabilities depends upon the member banks' reserves composed of lawful money of all kinds, and the 12 Federal Reserve banks themselves are by law required to keep with the Treasury a specified reserve in gold—that is, in credits in the gold certificate fund in Washington. The member bank reserve requirements may be adjusted by the Board of Governors within certain limits, so the "controlling" influence of gold on the volume of money and credit is not rigid.

As for gold and our silver currency, the only influence of the yellow metal on the amount of silver in the monetary system is the sliding one-to-three ratio between silver and gold specified in the Silver Purchase Act of 1934. Between the total volume of our gold stock and items 6, 8 and 9 in the table there is no connection at all.

Domestically, therefore, the American monetary system

(CONTINUED ON PAGE 26)



WIDE WORLD

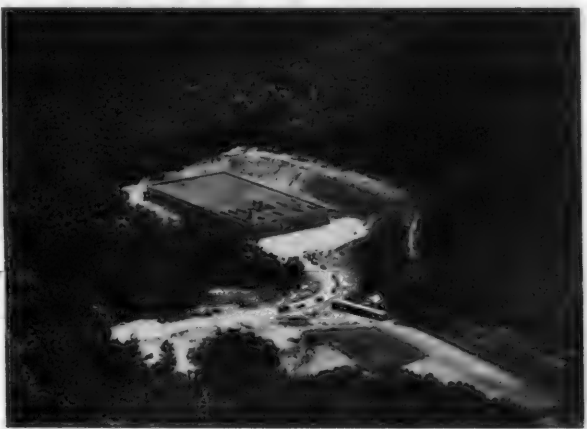


MCLAUGHLIN FROM WIDE WORLD

Above: Left, a recent shipment of gold bars, valued at \$23,000,000, is checked in as it arrives from Europe. The country's billions in gold stocks are chiefly stored at the modern fortress in the woods (right) at Ft. Knox, Kentucky



INTERNATIONAL



INTERNATIONAL

Above: No less solicitous for our silver, the Government has moved the vast and increasing quantities of the metal to another woodland site in the hills at West Point, New York (right). The "pigs" are closely guarded en route (left), the value of each being about \$430

Immediate right: A few United States notes. There are 4,000 \$1 bills to a package

Far right: A supply of silver certificates. These packages contain 4,000 \$5 bills

The piles of currency shown at the right are stored in the Treasury's vaults in Washington, where the unused notes and certificates are locked and sealed (below)



KEYSTONE



KEYSTONE



KEYSTONE

in principle is much closer to a "managed currency", the volume of which is supposedly adjusted by the authorities more or less in accordance with their idea of the needs of the country, than it is to the orthodox gold standard, according to the theory of which the volume of money and credit, and interest rates, fluctuated with changes in the size of the gold reserves.

If this country has drifted away from the old gold standard, it is not alone in that respect. Nor is it a pioneer. In other countries where a managed currency has been adopted the departure from tradition has been more resolute. In a recent editorial on managed money the London *Times* remarked: "There is no longer any real faith in the old orthodox gold standard as such." Even the formalities of that standard, said the *Times*, were now abandoned,—“a logical step.”

The old gold standard involved the free convertibility of the currency into gold, both internally and externally, at the fixed, legal price without any maximum limit as to amount. It also involved "free coinage" of gold, that is, the conversion of gold into currency at the same fixed legal price without maximum limit as to quantity. Under this system there could be no control of foreign exchange transactions, no embargo, tax, or other impediment on the free movement of gold, and no restriction as to private ownership or circulation of gold. Finally, the gold standard as it operated here involved a fixed, legal ratio between gold reserves and bank credit. To counteract the inflationary or deflationary effects of changes in the gold stock, resort here was had to changes in the discount rate of the Federal Reserve System.

SIX YEARS BRIEFLY

HOW far we have come from the old gold standard of value is outlined by a recital of some of the measures taken since March 4, 1933. Gold has been nationalized, and its hoarding and circulation have been prohibited. The gold clause has been abrogated and outlawed. Foreign exchange transactions have been controlled by the Treasury, and, although now unimpeded, are subject to renewed control at the Government's discretion. Gold exports are subject to Treasury control, being forbidden to countries which do not similarly permit gold exports to this country. The required ratio of gold to bank credit has been altered and, within certain limits, has been left within the authorities' power to change. The price of gold, increased by 69 per cent in 1933 and 1934, is not permanently fixed by law at its present level, but may be further changed by Executive action without further Congressional permission. The \$2,000,000,000 Stabilization Fund has been set up, in its original form capable of protecting the value of the currency at home in the event of a gold outflow of that amount. Gold sterilization is practiced to absorb unwanted gold inflows. All of these measures have amended and altered in important ways the old monetary system, leaving us with a managed dollar at home.

Yet we have not followed England's example in all respects. Largely out of respect for tradition, the link with gold has not been entirely severed here. Not only is gold still purchased from all and sundry at a fixed legal price, and a huge amount of the yellow metal is held in the monetary and banking reserves, but for external purposes the dollar is in practice almost as firmly linked to gold as it was under the old gold standard.

From the standpoint of the seller of gold—whether it be

newly-mined domestic metal or any other metal—the value of a link between the currency and gold in an important and wealthy country is that it provides the gold seller with an unlimited market at an assured price. This means that any amount of gold may be converted into money at the official rate. This feature of the old gold standard is preserved under present American monetary law. To American and foreign sellers of gold the system now in force is identical with that under the gold standard.

BUYING IS DIFFERENT

BUT today, unlike the situation before 1933, not all those who would buy gold, that is, convert their dollars into gold, are in as good a position as under the old gold standard. The American would-be buyer of gold must explain to the authorities the use he intends to make of it.

As before the depression, the foreign exchange value of the dollar therefore is, by our policy, kept stable in terms of gold and in terms of foreign currencies on the gold standard. On the other hand, many foreign currencies are no longer linked in value to gold. The important pound sterling and a long list of currencies in the "sterling bloc" rise and fall with the tides of economics and international politics, and therefore preservation of the external link of the dollar to gold no longer assures us stability in the foreign exchange markets.

From the standpoint of international finance, the linking of the external value of the dollar to gold is highly important. Outside of the United States, gold and the U. S. dollar are by our policy kept identical. The "dollar" is merely a certain weight of gold. When the British fund operates in the London gold market, therefore, in effect it is operating in the dollar and *vice versa*. The fixed U. S. price of gold is a firm fulcrum for British and other monetary operations. Maintenance of such a fixed price is the rendering of an important service abroad, not only to foreign gold mining interests and other sellers, but to foreign monetary authorities. The service is voluntarily rendered by this country, with no stipulated compensation. Yet this service does not involve any assurance on the part of the beneficiary countries that their own currencies will be kept stable in terms of the gold dollar.

MANAGED IN FORM, BUT—

TO SUM up the foregoing, our currency system today internally has the form of a managed currency with certain restrictions. Externally, to all practical purposes, it is based on gold. The latter fact itself, like the heterogeneous composition of the circulating notes and coin, reflects mainly the reluctance to sever completely the ties with the past. Our greenbacks, our silver certificates and Treasury notes of 1890, and our standard silver dollars, all reflect episodes in our national financial history. The greenbacks, silver dollars, and silver certificates are entirely "rigid" items in the monetary structure and by law may not be retired from circulation. These items are completely foreign to the managed currency idea. So, too, is the rigid price of gold. Where the official money managers have their opportunity to influence the value of the dollar at home is through their powers to alter the size of the credit base of the banking system by such devices as sterilization of gold, changing reserve requirements, issuing idle silver bullion, and the like. The authorities cannot force the credit base into use, however, nor have they any control over the velocity of circulation. In fact, the United States dollar is predominantly "check-book money" and banknotes representative thereof and is in only small degree composed of Government-issued currency.

Directors and Public Relations

By CARL K. WITHERS

This is the last article in a series of six dealing with the duties of bank directors. MR. WITHERS, President of the Lincoln National Bank, Newark, and formerly Commissioner of Banking and Insurance for New Jersey, is the author of three of these articles. LEO T. CROWLEY, F.D.I.C. Chairman, was the author of the others.

THE subject of public relations for banks has been so widely explored within recent years that it might appear useless or like trying to "gild the lily" to attempt to add anything new. And yet, how very little has been said about public relations for directors, and the important opportunity they have to help in the development of their bank's public relations program. Whether this be the fault of management or of the individual director, the fact remains that far too few directors realize, or if they do realize fail to make the most of, the very real opportunity that is theirs to bring constantly to the attention of their friends, relatives and business associates the service facilities, the safety and the convenience of the institution they help direct.

There are directors no doubt who consider that they are already called upon to devote much more time to the direction of their bank's affairs than should be necessary, and that, therefore, they should not be expected to add to their responsibility the duties of the business development department. But they are the exception. Observation and experience would seem to indicate that the average director in the average institution is not only willing, but is anxious to do everything within his power to promote the best interests of the institution to which he has lent his name—and in which he has, to a very large degree, staked his reputation in the community. To do this effectively, however, requires more than just a willingness to assist in the promotional activities of the bank. It requires, in the order of importance: (1) an abiding confidence in the soundness of the institution and in the ability of its officers and staff to meet efficiently the banking needs of the community; (2) a working knowledge sufficient to explain properly the advantages of the bank and each of the different services it has to offer; and (3) an interest and enthusiasm that lives beyond meetings of the board and committees, and finds its way into everyday business and social contacts.

CONFIDENCE

AS in all avenues of human endeavor, and more particularly in banking, confidence begets confidence, and unless a director is 100 per cent "sold" on the soundness and the service-ability of the institution he represents, he cannot possibly hope to gain the confidence of others and do an effective public relations job.

It should be taken for granted that he must believe in the institution to which he has lent his name or otherwise would not—or should not—be a director. Beyond this premise, he should at all times entertain a full measure of confidence in the character and judgment of his fellow-directors, and in

the integrity and ability of the active management of the bank to conduct its affairs safely and efficiently.

True, according to law he must be possessed of a certain stock interest. He should also make every effort to attend board and committee meetings regularly in order that he may be currently advised of the bank's condition and progress. But beyond these general requirements of his office, he should have sufficient interest and confidence in his institution to transact not only all of his *own* banking business with it, but as well, that of his family and such of his direct business connections as he may be able to influence or control. Unless and until he has done this, it is difficult to understand how he can, in good conscience, ask others to do that which he himself has appeared unwilling to do.

KNOWLEDGE

IT might be surprising to learn how few directors really know and understand just how "the wheels go 'round" in their own institutions; how the various departments of the bank function, and the number and variety of services that are available to present and prospective customers.

A director seeking to assist in the new business efforts of his institution should first know "whereof he speaks" in recommending the services of his bank to friends and business associates. He should know its background thoroughly, the history of its growth, and the part it has played in the development and progress of the community or neighborhood. He should make certain that his bank can efficiently meet a prospective customer's needs, and should be frank in stating any limitations as to service or credit demands.

Too often a director does not seek new business for his institution, fearing that in so doing he will be incurring a personal or moral obligation to approve later what the officers and other members of the board might consider an unwarranted demand for service or credit. This fear can easily be obviated if, in negotiating for an account, both director and prospective customer are frank, each with the other. New business obtained on any other basis than mutual confidence and understanding, whether through regular channels or through the efforts of directors, is quite apt to result in a later misunderstanding and ill-will.

ENTHUSIASM

A DIRECTOR, to be of positive value to the new business efforts of his bank, must at all times be an enthusiastic booster, not alone among his intimate business and social acquaintances, but in all of his contacts outside of the bank.

Such enthusiasm, when properly directed, cannot help but find inspiring reflections in the attitude and efforts of other members of the board, and on down through the officers, new business department and personnel.

Directors *can* be more than just directors. They can be "Ambassadors of Good Will"—and of incalculable service to any bank, provided they have confidence in, a knowledge of and enthusiasm for the institution they represent.

Benjamin Strong, the Banker's

In this sketch Mr. ATWOOD pictures another American financial builder—the man who for 14 years was chief executive of the Federal Reserve Bank of New York and who had a leading part in organizing the Reserve System.

AMONG the professional bankers of recent years who have played a really significant part in American history none has exerted a more compelling influence than Benjamin Strong. Soon after the outbreak of the World War, Secretary McAdoo ordered the new reserve system of banking, which Congress had authorized, to be immediately set in motion. From that time until his death in 1928 Strong was the outstanding personality in the Federal Reserve System—to all intents and purposes he was the System.

For a man who died at the age of 56, and who struggled during the last 12 years of his life with a serious illness, Strong has to his credit an amazing sum total of achievement. As one of his closest associates has phrased it, Strong followed to conclusion four great purposes: he organized and made tremendously powerful the Federal Reserve Bank of New York, he was one of the leading figures in mobilizing the nation's funds for war, he developed principles and technic for Reserve bank discounting and open market policy, and he was largely instrumental in restoring the gold standard in Europe.

A man who can do all this is decidedly worth attention not only for what he did but for what kind of man he was. First of all, Strong was an unusual product in that he combined the mind of the student with the grasp and administrative ability of the man of affairs. Professor E. W. Kemmerer of Princeton University, who was closely associated with him, says he was "a banker statesman in the best sense of that term." Or perhaps another way of expressing the idea is to say that he was a "banker's banker." Other bankers could make pragmatic decisions as well as he, but few could so thoroughly explain the background and reasoning.

Always orderly, he kept the most complete of records. Most people thought of him as a prophet of the general rather than of the particular, but everywhere he left a record of ability as an organizer of detail and economy. No one has ever made a better witness before Congressional committees, impressing members with his sympathetic understanding even when in disagreement.

Superficially austere, he had a very warm and colorful personality when off duty. Considerate of employees, he had a sensitive human sympathy, being a marvelous person at a small dinner, with a love of people, art and the gentler things of life. Professor Kemmerer describes him as "open minded and always willing to listen to all sides of a subject, but when his judgment in favor of the wisdom of any policy was once formed he had a remarkable driving power in carrying through his convictions."

In addition he was unsparing of himself in devotion to duty, had broad vision, the highest integrity of character, and, as the distinguished Princeton monetary authority says, "a high sense of social obligation."

Strong was born at Fishkill-on-Hudson, December 22, 1872. His great-grandfather served as a clerk in the Treasury under Alexander Hamilton and later became one of the organizers and for many years president of the old Seamans Savings Bank of New York City. His grandfather was a merchant in the same city and his father, after experience in managing railroads, became associated with Morris K. Jessup, the distinguished philanthropist. Both father and grandfather were graduates of Columbia College, but the subject of this sketch began work as a clerk in a banking house at the age of 18, with only a high school education.

At the age of 29 he became assistant secretary of the Atlantic Trust Company, later secretary of the Metropolitan Trust Company, into which the Atlantic was merged, and in 1903 secretary of the Bankers Trust Company. During the panic of 1907, when he was 37 years old, he became one of the chief investigators of the threatened banking institutions, and as a result of his reports at least one of them was saved; in fact he carried a consignment of gold in his own pockets to one of these banks.

THE MASTER BUILDER

BY 1914 he had become president of the Bankers Trust Company, and in the same year was chosen to organize and become head of the Federal Reserve Bank of New York. He had opposed the system of 12 regional banks and favored the single bank, or Aldrich idea. But he soon became not only the master builder of the New York bank but the most virile and therefore the outstanding figure in the whole System. Because of the War the normal problems of organizing a new banking system were magnified and its growth was extremely rapid. In this situation Strong was quick to perceive and utilize the great powers latent in the Federal Reserve.

The Treasury was not prepared to float the immense war loans which were soon imperatively required and fell back upon the Reserve banks, especially the New York bank, to handle them. Strong poured out his strength without stint during these war loan years. He had a remarkable interest in every phase of Liberty Bond distribution and was ready to spend hours, day and night, in working out details of meetings, advertisements and many other phases of the five gruelling campaigns.

Strong was chief executive of the New York Bank for 14 years and during the earlier period had another absorbing interest in building the great palace of business which houses the bank. Every detail of the marvelous hand-wrought iron, the wood work, and the functioning system of that building passed through his creative mind. He visited the quarry which supplied the stone and suggested that instead of using only perfect specimens in respect to color the run of the mine stuff be employed. Thus a large sum was saved and the building presents a pleasant relief from the monotony of so many structures.

After the War was over and following the brief depression of 1921, Governor Strong's chief concern was with international restoration. This was perhaps the most important

Banker

By ALBERT W. ATWOOD

chapter in his life and also the most controversial. For years he was in almost continuous touch with the heads of the great central banks of Europe, especially with Montagu Norman, head of the Bank of England.

Thomas W. Lamont has said that to the solution of Europe's post-war problems Strong brought "a calm and sane mind, sympathetic understanding and a warm cooperation." Mr. Lamont's former partner, the late Senator Dwight W. Morrow, said that his was "perhaps the most significant contribution to the recovery of the world from war disorganization."

Not all observers have been so kind. The late H. Parker Willis wrote that Strong's policies probably helped Europe to a "premature" restoration of the gold standard. It has also been charged that the gold standard in Europe was not worth fighting for and that Strong's policies of low interest rates and ample European credits helped to bring on the great depression of recent years.

The reasoning at this point is that the foreign loans turned sour in many cases and that Strong's easy money policy, for the convenience of Europe, led to undue expansion and stock market excesses in this country, with the 1929 crash a natural sequel. But this is not the whole story. Norman and Strong were absolutely convinced that the only alternative to immediate financial restoration in Europe was dictatorships. They had definite proof that these countries must have capital and credit.

SECOND GUESSING

FIFTEEN years later it is easy to say that Europe might have been restored in a more sound and fundamental way than by pumping in American capital and credit, but Norman and Strong were faced by the necessity of giving Europe an immediate breathing spell; they did the expedient thing and the only thing which offered prospects of early relief.

For all we know today, if they had not taken this action the great depression of the Thirties might have come much sooner; for Strong was thinking of monetary stability and foreign trade for this country, as well as of Europe's necessities, when he helped to pour resources into that continent. The London *Economist* later remarked that he helped Europe back to the gold standard not out of sentiment or because his heart ruled his head, but because his conception of the general interest transcended nationality and because he longed to make an end to disorganization.

Thus Strong naturally became the foremost authority on foreign banking and finance in this country. Although he became the leader of the Federal Reserve System when it had no other real leadership and although he always gave it direction and purpose, the Federal Reserve Board in Washington naturally did not altogether relish his dominance, especially in foreign matters. European financial writers, and even financiers, spoke of the New York Federal Reserve Bank, and not the Federal Reserve Board, as the American central bank. European financial authorities saw Strong first before they went to Washington and dealt with him as if he were the head of the American banking system.

It is a question whether Strong was wise in permitting this situation to develop to such a degree. However, because the New York bank is in the principal money center of the country and because it is at the point of chief contact with other countries it was natural enough that he should want it to speak for the System as a whole in international matters. Also he honestly believed that the New York Bank was naturally less under political domination than any board in Washington could be.

But there is another side to the picture. Even though Strong gave the Federal Reserve System more virile, important and sound leadership than any existing board in Washington could have done it was probably bad politics for him to do so. If he was going to run the System, as he actually did, he should have been the Governor of the Board in Washington and not the Governor of the Bank in New York.

Moreover his centralization of power in New York was just the kind of thing which would cause a none too well informed Congressman to demand a "Government bank". No doubt the closer tie-up between the Federal Reserve System and the Government, which has come in the Banking Acts since 1933, is partly a reaction, conscious or unconscious, against Strong's concentration of power in New York.

THE BROADER VIEWPOINT

BUT it would be a great injustice to paint him as having a narrow or exclusively "Wall Street" point of view. We do not know what he would have done had he lived on into the terrible stock market orgy of 1929. He did want earlier and more drastic credit policies in 1928, and it is safe to say that, had he lived, he probably expected to be able to control the boom, if it got out of hand. Most authorities agree that Federal Reserve policies were wise enough in 1928; 1929 is the year of controversy, and Strong died in October of the previous year.

In 1919 he introduced Senator Glass at a dinner in New York and spoke of the financial freebooters who played with banks and markets in Wall Street with as much scorn as any reforming Government official might use. He showed in his speeches that he fully realized the danger that has always inhered in making New York the dumping ground of the country's banking resources. Yet he plainly believed that financial leadership should reside in New York.

After all, the main thing to remember about Benjamin Strong is that he was a man of energy, courage, resolute character and tenacity of purpose. He showed real heroism in fighting off the tubercular throat which would have made a complete invalid of almost any other man.

When the five Liberty Loans were past he retired, completely exhausted and with his vocal chords so far gone that he was not allowed to speak above a whisper for several months.

It would seem to require superhuman strength to be the moving spirit in bringing the central banks of the world into cooperative relations for the first time, yet Benjamin Strong did this, although he spent half of these years in hospitals and sanatoria fighting a losing battle with death.

Par Clearance: Mr. Pro to Mr. Con

The letters reprinted here are from actual correspondence between two western bankers. While no conclusions are reached, the discussion is carried on in an interesting way. Opinions of other readers of BANKING would be welcomed.

Mr. A. B. JONES, Cashier
Smalltown State Bank
Smalltown, Montana.

Dear Mr. JONES:

For a long time we have been sending you a daily cash letter containing checks drawn on your bank, for which you remit, as you know, by means of a draft, after deducting exchange charges on each item.

If we charge this exchange back to our endorsers, it is hard for them to understand the justification for such a charge. The only way they can look at it is that whenever they do business with a customer of your bank, they do not get 100 cents on the dollar.

We realize, of course, that you are the doctor when it comes to deciding the policy of your bank in regard to exchange. On the other hand, it seems to us that it is a little more fair to have these charges paid by the man who writes the check, rather than the one who accepts it in good faith and for full value. The general custom among banks is to collect the overhead charges from their own customers by means of a service charge, and permit checks drawn on their bank to circulate at par, as checks are intended to do.

Possibly you feel that your charges are justified, in view of the fact that it is necessary for you to issue a draft in payment of our cash letters, even though the draft is not drawn on Centertown and it takes us another two days after receiving it before we receive final payment. Looking at it that way, we are wondering if you would be willing to effect a reasonable compromise and figure your charges on the basis of 10 cents per hundred on the total of our cash letters, instead of making a separate charge for each item.

We shall appreciate your slant on this matter.

Sincerely,

B. D. BROWN
Assistant Cashier
Centertown Trust Company

Mr. B. D. BROWN, Assistant Cashier
Centertown Trust Company
Centertown, Montana.

Dear Sir:

We have your letter regarding the non-par charge made by this bank, and will attempt to answer each paragraph in your letter in order.

We agree it is not easy to explain a non-par charge to depositing customers. We believe the theory behind it is that a bank in remitting by mail for checks drawn on it acts both as payer and as collecting agent; the charge is for the collection. If memory serves, this charge was in effect in most banks in the United States prior to the passage of the Federal Reserve Act. Unless our history is rusty, a group of manufacturers lobbied par clearance of bank checks into the Federal Reserve bill. We believe the charge is in effect in at least a third of the banks in the United States, and constitutes an important source of the earnings of smaller banks whose customers, because of change in economic conditions, have gone to larger cities. It is, of course,

not necessary for us to hold a brief on other present factors depressing bank earnings in general. You state that your customers do not get 100 cents on the dollar when dealing with the customers of this bank; they do get 99.9 cents on the dollar on a \$100 check.

It is our understanding that it is no longer banking practice to draw checks "with exchange" as you recommend. There is some question in our minds as to the legality of adding exchange charge to a customer's check without a separate written agreement of each customer. On the other hand, the practice of deducting for collection charges is a well established banking custom. You mention it is a general custom among banks to collect overhead charges by means of a service charge. We believe that would be a matter of opinion depending on the theory of cost accountancy used.

We have carefully considered in the past the amount of non-par charge to be made by this bank, and in the course of our consideration discarded the thought of charging 10 cents a hundred on the total of cash letters received.

Your letter opened up in our minds the whole question and we want to thank you for having written us. We trust the above will explain in some measure our feeling of justification for making a non-par charge. I sincerely hope it will be possible for me to discuss this with you personally some time.

Yours very truly,

A. B. JONES

Dear Mr. JONES:

It was refreshing to read your letter. Undoubtedly you have given considerable thought to the subject. The matter of transit operation, exchange charges, etc., is one of my pet subjects also.

You may be interested in the enclosed memorandum written to me by Mr. J. K. Taylor, vice-president of our bank. My purpose in enclosing it is that my bank experience goes back only 20 years while Mr. Taylor's started long before the Federal Reserve System became operative. It occurs to me that you and he probably have a great deal in common although you do not agree on your percentages concerning the number of banks that charged exchange under the old regime.

I was interested in your reference to the fact that, even after you have charged your exchange, the endorser still gets 99.9 cents on the dollar on a \$100 check. Of course that is an extreme example most favorable to your case. Going to the other extreme it is entirely possible under your system of charges for a merchant to receive only \$95.00 on \$100.00 worth of checks, a discount of 5 per cent.

In stating in my other letter that it is more fair to have the charges paid by the man who writes the check rather than the one who accepts it in good faith and for full value I apparently phrased the matter poorly because it was not my intention to advocate adding exchange to the face of an item. I agree with you fully that this would not be desirable. The point I was trying to make is that the man who has the convenience of issuing checks instead of having to carry cash in his pockets should pay for the privilege; the man who accepts the checks certainly should be entitled to consider it as worth its face value in money and not have to worry about what the net return to him will be after the check has been paid by the bank.

Your statement that exchange charges constitute an important source of earnings in small banks is undoubtedly correct, but I cannot agree that a third of the banks in the United States are making such charges. Unfortunately I do not have

at hand the figures to show what the percentage would be so far as the numbers of banks are concerned. However, in the 1936 revised edition of *The Reserve Banks and the Money Market* by Burgess an authoritative index shows that total deposits of Federal Reserve member banks were, on a national average, 83.9 per cent of all commercial bank deposits. These figures constitute an understatement because they include only those banks which are members of the Federal Reserve System but do not include the non-member clearing banks (par banks not members of the Federal Reserve System). If these were included the percentage of deposits in banks that pay their items at par would be considerably higher. An official of the Federal Reserve System recently made the statement that in his opinion not over 3 per cent of the banks in the United States were non-par banks, and from our experience I agree with him.

This may sound as if I am trying to sell you on the Federal Reserve System, but such is not the case. However, I sincerely believe that it is to the advantage of all of us to work toward a par clearance of checks so that they may become, as nearly as practicable, just as acceptable a medium of exchange as money itself.

To illustrate this point a little further, in this bank we handle in excess of 10,000 out-of-town items each day. The overall average is about \$130 for each check, but as the gross figure includes large amounts in transfer drafts the average of the individual checks handled in the transaction of ordinary business would be considerably under \$130. However, using \$130 as an average check, if every bank used the same system of charges that you do, the exchange figure of 20 cents on each of these items would run to \$2,000 per day in our office alone. This exchange, passed back to the merchants, would have the effect of their refusing to handle any out-of-town checks at all, or they would do so only at a discount from their face value. Obviously, they would prefer to deal with cash alone and checks would lose their value as a circulating medium. Further, such a situation would have an even greater effect upon the economic factor which you touched upon, in that there would be a tendency for customers of outlying banks to transfer their accounts to the larger centers so that they could issue local checks when they made purchases in those centers.

Fortunately, the number of non-par banks throughout the country is so small that there is not much likelihood of these things coming to pass. Nevertheless, in the interest of good banking I believe there should be no exception to the rule that a check is worth what it purports to be worth on its face.

In discussing a matter of this kind we realize that there are two sides to the story, that you may not agree with us, and that, even if you did, exchange charges may constitute such an important part of your earnings that you feel you must continue in your practice of charging them. It is for these reasons that we suggested a compromise of 10 cents per \$100 on the total of our cash letters rather than the per-item charge you are now making.

Sincerely,

B. D. BROWN

Memorandum of J. K. TAYLOR, vice-president of Centertown Trust Company to B. D. BROWN, Assistant Cashier of that bank

THIS morning when I was looking through the incoming mail I ran across a letter from A. B. JONES, of the Smalltown State Bank, from which I infer you have been having correspondence with him regarding exchange charges.

Jones' statement to the effect that most of the banks were charging exchange prior to the passage of the Federal Reserve Act is a little erroneous for the reason that in my own experience less than 10 per cent of the banks charged exchange before that time. Here in our own district all of the banks remit at par for checks drawn on themselves except two small ones which are located at isolated points and which make the charge because they know there is very little that outside banks can do about it. It is true that a few banks in the Dakotas, Minnesota and the

South charge exchange, but they are decidedly in the minority, and most of them hang their heads in shame when they discount checks drawn on themselves.

We will say, for example, that a Centertown man gets a check on Smalltown. There are two ways he can collect it. One is to get on a train, take a plane, or get in his car, go over there and present his check at the window himself. The other is for him to employ us as his collecting agency to collect it for him. We are the collecting agency — not the Smalltown bank—and as a collecting agency we are entitled to a modest fee for our services. Therefore it is only right and proper that we should charge anyone who uses our facilities and asks us to collect an outside check for him.

Contrary to a collecting agent, the Smalltown bank is the payer of the check. The only service they render us is to write a draft. If we took checks over there and presented them over the counter they would be glad to pay us 100 cents on the dollar, even if they had to ship in the currency at considerable expense to do it. Instead of charging exchange they ought to be grateful that we do not ask them to supply currency with which to take care of such checks.

After living in the business for more than a quarter of a century, no one could make me believe any bank is justified in discounting its own checks. On the other hand, I do not know how in the world you are going to disabuse Mr. Jones of the idea that such charges are not generally made throughout the country. Perhaps if you can send him a list of the banks that do not charge it might show him that the great majority of banks feel entirely different about the matter.

J. K. T.

Dear Mr. BROWN:

Certainly Mr. Taylor is sincere in his statements, but apparently they do not bear analysis. A letter received today from an employee of the Federal Reserve Bank states in part: "There are 21 off-par banks in Montana as far as we are concerned, and there are a number of other banks whose items we do not handle direct. If these banks dealt direct with us there would be no doubt that at least some of them would be on our off-par list. I think there are about six or eight banks whose items we present for payment to another bank in the same city which, no doubt, re-presents them in the clearings."

According to a recent bank directory, there are 115 banks in Montana. Twenty-one non-pars among them makes nearly one in five, and, allowing for those others mentioned, the ratio could go to one in four. I do not believe Montana has more non-par banks than other states and agree with Mr. Taylor that in the Dakotas and deep South the percentage of non-par banks is probably a great deal higher than in the rest of the country.

Mr. Taylor is, of course, chaffing us in that part of the memorandum concerning hanging heads in shame and making the charge only because it can be gotten away with. I would like to join in the spirit and good humoredly laugh with him. In passing we only want to quote from *Paton's Digest* 1926 edition, section 1426: "When a bank receives a check drawn upon it with request to remit funds to another place, it is within its right in making a reasonable exchange charge for the service of remitting. The contract of the bank with its depositors is to pay his checks in money at the counter. It does not include sending the money to a distant payee to whom the depositor has mailed his check."

Your own argument is somewhat inconsistent. To quote: "The man who accepts the check certainly should be entitled to consider it as worth its face value in money," and yet both you and Mr. Taylor justify yourselves on the float charge and deduct that from the face of the check; so do we.

So ends, I trust, this correspondence. As with all disputes, it leaves the contestants exactly where they started, each more firmly convinced he is entirely right, for, like soldiers, both have entrenched themselves more deeply to hold their positions.

Sincerely yours,

A. B. JONES

The Legal Answer Page

Wrongful Dishonor

A CASE has been called to our attention which could not have resulted if the A.B.A. Non-Payment of Check Through Error Statute had been enacted in the state in which the claim arose.

A customer sued a bank for damages to his credit and reputation in the territory where he was conducting the business of a trader in buying pigs and yearlings, on the ground that the bank had dishonored several of his small checks at a time when he had sufficient funds on deposit with which to pay. Prior to the dishonoring of these checks the customer had given a check on the bank for the sum of \$8, which amount was specified on the face thereof, while the figures in the marginal end of the check appeared to be \$80. The bank cashed the check for \$80, resulting in the several small checks being thereafter returned unpaid to the payees.

A verdict was returned for the sum of \$5, which was reversed by the Supreme Court and remanded to the lower court for the assessment of substantial compensating damages. (*Weaver v. Granada Bank*, 178 So. 105.)

The A.B.A. statute above referred to would limit damages in such cases to the *actual* damages proved. The rule that substantial damages should be inferred, because of the peculiar nature of the wrong, could not have been applied.

Assignment of Deposits

IN connection with the assignment of bank deposits, recent litigation in the New York courts importantly involves the sufficiency of notice to the depositor's bank.

Customer's bank opened after the bank holiday in 1933 on a restricted basis with the privilege of paying out 10 per cent of the deposits. A customer purchased some real estate paying therefor the 10 per cent she was allowed to withdraw from the bank and assigning to the vendor the balance of the deposit. About a week after the assignment the vendor wrote to the bank and stated that the account had been assigned to it. Subsequent to the assignment and notice, the customer bought stock in the bank, the price to be deducted from her account. The bank did not answer the vendor's letter until about 9 months after receiving the notice of assignment and three months after the sale of stock to the customer. At that time it refused to recognize the assignment, claiming that the first charge against the account was for the sale of stock to the customer.

In an action by the assignee to recover the amount of the deposit the court held that the action should be dismissed. Anything less than filing the assignment itself, bearing the signature of the depositor, is insufficient notice to a bank.

While it is generally held that formal notice of assignment is necessary, here the court held that there is a difference between banks and ordinary debtors. Due to the relationship of bank and depositor, the bank is bound to honor the depositor's checks to the amount of his credit. If the notice such as that given by the assignee were sufficient, it would cause a bank to postpone honoring its depositor's checks; and it

would be too burdensome a task to require a bank to investigate every claim made by third persons to funds of a depositor. However, this particular case is a difficult one because the deposit account could not be drawn upon by check. (*Gibraltar Realty Corp. v. Mount Vernon Trust Co.*, 12 N.E. (2d) 438.)

Missing Indorsements

THE question sometimes arises whether the guaranty of the indorsement, "all prior indorsements guaranteed", covers missing indorsements and thus protects subsequent holders of the instrument. The position taken by *Paton's Digest* that it does has been upheld by a New York court.

In the case of *City Trust Co. v. Botting*, 139 Misc. Rep. 684, 248 N.Y.S. 204, the payee's indorsement was missing from the check. The bank in which the check was deposited stamped upon the back thereof, "all prior indorsements guaranteed". The check was cleared and charged to the drawer's account. In a suit by the depositor for misappropriation of his funds the court held that the first bank was liable to the depositor's bank by reason of the warranty that all preceding indorsements were genuine and that it had good title to the checks. Such guaranty was held to cover missing indorsements.

Cashier's Check

OCCASIONS arise when it is desired to stop payment of a check drawn by the bank cashier on his own bank. The pertinent question then is, does the bank have the right to do this? The reason stop payment is sought may be, as in a case recently submitted to us, that the check given as consideration for the cashier's check bears a forged indorsement.

If the check is still in the hands of the payee, payment thereon can be refused. However, in the hands of a bona fide holder for value, the check is irrevocable; it is not subject to countermand.

"The legal effect of a cashier's check issued by a bank is the same as a bill of exchange drawn by the bank upon itself and accepted in advance by the act of issuance, and is not subject to countermand like any ordinary check. The relations of the parties to such an instrument are analogous to those of the parties to a negotiable promissory note payable on demand." *Madison & K. State Bank v. Madison Square Bank* (1933) 271 Ill. App. 12.

It should be noted that, by the weight of authority, a right exists to stop payment on a check or draft drawn by a bank on another bank.

The Trend of Things



INTERNATIONAL

DRESS REHEARSAL. Soldiers in their work clothes show House Military Affairs Committeemen at Ft. Story, Virginia, how some of our anti-aircraft weapons work. The pieces being fired are 50 calibre machine guns and 37 mm. guns. European events in March created more interest in such modern machinery, together with suggestions for supplying war matériel of some types to South American nations

BIRDIE. Posing for cameramen at the White House are AFL and CIO appointees to their peace seeking joint committee. Secretary Perkins is with them in this picture. A CIO proposal was turned down and then looked at a second time by the AFL. John L. Lewis recently said that in the steel industry, one of its strongholds, the CIO has established 1,400 lodges in the U. S. and Canada and has negotiated 582 collective bargaining agreements



HARRIS & EHRING

April 1939

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WASHINGTON NEIGHBORS. Next to the Czechoslovakian legation on the corner stands the former Austrian embassy. They are, respectively, 2349 and 2343 Massachusetts Ave. Minister Hurban of Czechoslovakia refused to move out when ordered to by German representatives. These changes and the events in Spain are giving the State Department cephalalgia

TAXES. Will the much-talked-of business tax revision take place, and, if it does, how much good will it accomplish? Chairman Doughton of the House Ways and Means Committee and Chairman Harrison of the Senate Finance Committee (*below, left and right*) are the two members of Congress who will have most to say on both phases of the question





SURPLUSES. Above, J. Frank Grimes (left), chairman of a National Food and Grocery Conference committee, is introducing Secretary Wallace to committee members, who gave their unanimous approval to the plan for issuing food scrip to certain groups of relief recipients. One kind of scrip would buy ordinary foods, while another would be good only for purchases of certain designated surplus commodities

GOVERNMENT-BUSINESS. Secretary of Commerce Hopkins is indicating a desire to follow suggestions of the business men on the Business Advisory Council. The Council was set up by former Secretary Roper, but was, for the most part, seen but not heard. Members, below, are, left to right, seated, President Batt of SKF Industries, Board Chairman Harriman of the Union Pacific, Secretary Hopkins; standing, Chairman Fahey of the Home Loan Bank Board, President Biggers of Libbey-Owens-Ford Glass Co., and Board Chairman S. Clay Williams of the R. J. Reynolds Tobacco Co.





EXCHANGES. Few Government agencies have a more rapid turnover than the SEC. This picture had scarcely been made, to cover the addition of Mr. Eicher as a member, when Chairman Douglas was appointed to the Supreme Court. Through its chairman, the Commission recently expressed its unfavorable attitude toward certain proposals made by stock exchanges for liberalizing the rules. Such phrases as "return to 1929" were heard. *Left to right*, Commissioners Mathews, Healy, Douglas, Eicher, Frank

IRONS IN THE FIRE. In Secretary Hull's office is a group of men who are currently bedeviled by some of the country's most perplexing problems. Oriental "incidents" and European "aggressors" and "insurgents" have a vital effect on American foreign trade. *Left to right*, Assistant Secretary of State Sayre, Secretary Hull, Assistant Secretary Berle, Counselor Moore, Legal Adviser Hackworth and Assistant Secretary Messersmith



Career Farming



Above, the draft colt class at the Hydro, Oklahoma, community fair, where F.F.A. boys serve on all committees and two officials are Mr. and Mrs. Roy M. Felton. Mr. Felton is cashier of the First National Bank, Hydro

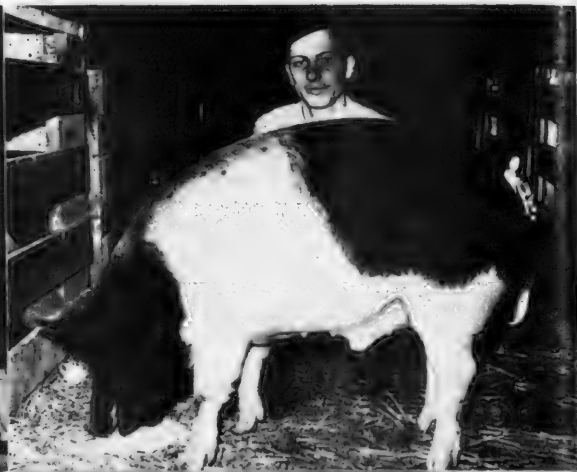


ON these pages are a few pictures that give some idea of the varied activities of the Future Farmers of America in one state, Oklahoma. A description of how Oklahoma bankers are participating in that state's F.F.A. work, and the excellent results growing out of the program, appears on page 21.

Left, Herbert Kuhlman, Norman, Oklahoma, F.F.A., who had the first trio at four major fairs and shows in 1938 with Barred Plymouth Rocks

Below, Francis Harper of Mooreland, who has the American Farmer degree and was named Star Farmer of Oklahoma last year. He began with a bank loan





Above, Melvin Williams, Robert Canary and Mitchell Sharpnack of Cleveland, Oklahoma, who won the judging contest in the eastern division of the state poultry show. Top right, Wayne Miller of Hydro with a Hampshire barrow which he fed and showed last year at Oklahoma City in the state junior show; this one was judged the best of 96 fat Hampshire barrow entries. Right, Lee Ray Stiles, F.F.A. member at Cushing, and a Junior Master Farmer, with his sheep



Left, Jack Deason, Fort Cobb, with a Hereford show calf purchased with a loan from the Washita Valley National Bank. Deason exhibited the first place senior Hereford calf, vocational division, at the American Royal stock show in Kansas City last year. Bottom left, Chester Bolz, Garber, and the grand champion calf, junior division, Oklahoma state fair, 1938. It was also the first place senior Angus at the 1938 American Royal. Below, Ray Sharp, Junior Master Farmer of Konawa, a successful showman, demonstrates how to pose a show calf





FARMER-STOCKMAN PHOTOS

Top left, boys at the F.F.A. summer camp near Watts, Oklahoma, check up on their gains in weight. Above, camp officials and F.F.A. members watch a championship softball game at the summer camp



Left, one of the native stone dormitories at the F.F.A. summer camp near Watts, in northeastern Oklahoma. This building houses 50 boys sleeping on double-deck beds

Right, a group of guests at a parent-and-son F.F.A. dinner at Choctaw, Oklahoma. Left to right, C. C. Zeigler chairman, agricultural committee, Oklahoma City Kiwanis Club, and backer of the Choctaw F.F.A. chapter; Joe C. Scott, president, Oklahoma State Board of Agriculture; A. L. Crable, state superintendent of education; Dan W. Hogan, president, City National Bank & Trust Company, Oklahoma City; Governor Leon C. Phillips; Donnie Filler, president, Choctaw F.F.A. chapter; J. B. Perky, state F.F.A. advisor and supervisor of vocational agriculture for Oklahoma; Tom J. Dee, manager, Armour & Co. packing plant, Oklahoma City



Magnificent!

The Fair in New York



STANDARD AERIAL SURVEYS, INC.

Underneath the ballyhoo, World's Fairs have always served an important economic service. . . . They show us what is new and how we are getting along economically and socially. Today's expositions in New York (almost ready) and San Francisco (open and crowded) are, as usual, the biggest, the best, the most etc. . . . Banking here turns the pages back to show a few of the bewhiskered ancestors of today's streamlined fairs.



A XVI Century fair in Antwerp. The man in the foreground is pulling away from the jewelry exhibition. Like other early fairs, this one was chiefly a market place for goods from many parts of the world. Some cities periodically held fairs where only one commodity was shown and dealt in

CULVER SERVICE

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Colossal!

The Fair in San Francisco



INTERNATIONAL

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Merchants at a medieval German fair, where the principal business was actual transactions in goods. There were many itinerant "bankers"—actually foreign exchange experts—in those days who made a business of facilitating the business of fairs through their head offices and correspondents in the principal business centers of the period



CULVER SERVICE

KING

April 1939

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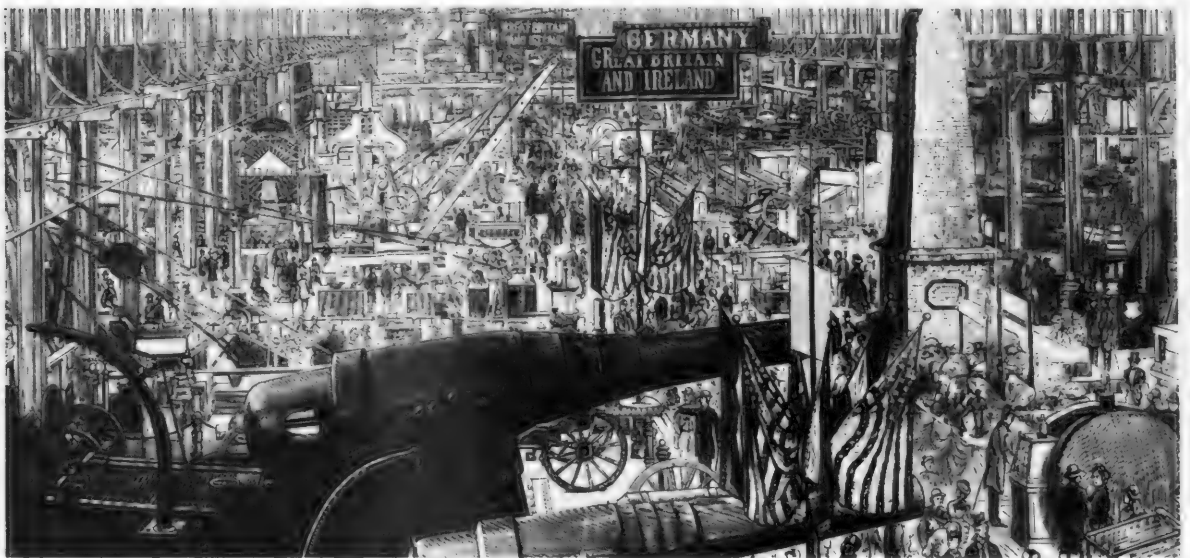


BETTMANN ARCHIVE



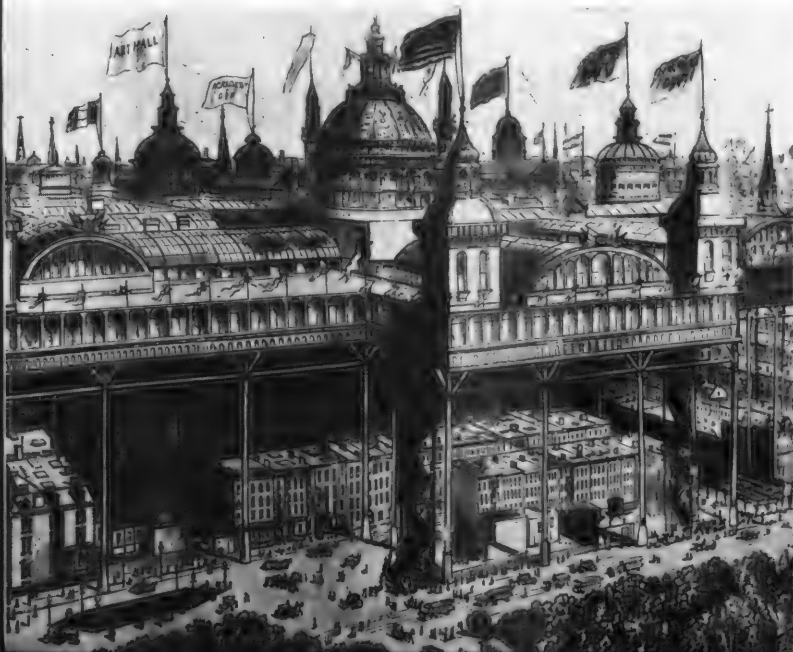
CULVER SERVICE

Above: Left, Exposition of the World's Industry, London, 1851. Right, the Paris Exposition of 1867

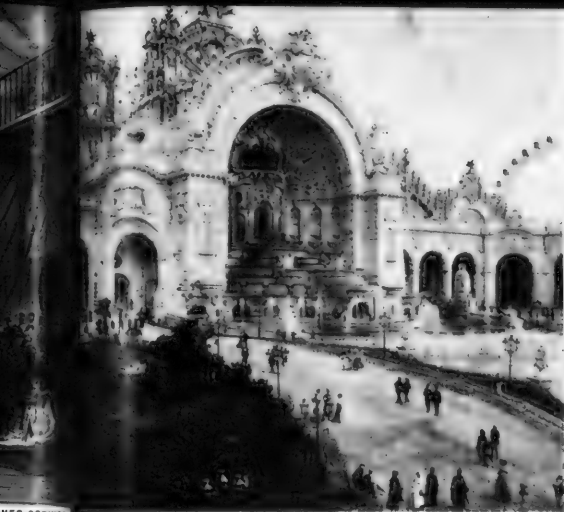


CULVER SERVICE

Above, industrial exhibit at the Centennial Exposition of 1876 in Philadelphia. Below: Right, the Bankers' Pavilion at the Philadelphia fair. Left, a humorist's suggestion for a fair in the heart of a city in the '80's



PRINTS FROM CULVER SERVICE



CULVER SERVICE



Above: Left, Château d'Eau at the Paris Exposition of 1900. Right, Main Building, "the largest ever erected", at New Orleans, 1884-85



CULVER SERVICE

Above, the Columbian Exposition at Chicago in 1892-93, which set a new high mark for later fairs to reach. Below: Left, the Midway at the Columbian Exposition. Right, the Panama Pacific Exposition, San Diego, 1915



PHOTOS FROM CULVER SERVICE

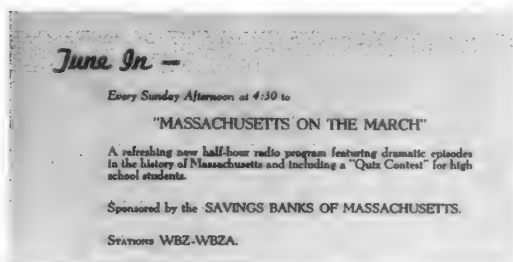
"Massachusetts On the March"

IN last month's issue of *BANKING*, on page 3, there was described the current radio production sponsored by the Savings Banks of Massachusetts. Lasting half an hour each Sunday afternoon, the broadcasts are divided into two 15-minute parts—a recorded dramatization of some event in the State's history, and a quiz. Public reaction, it is reported, has been enthusiastic.

On these pages are pictures and other material dealing with the broadcasts. Fuller discussion of the programs and their presentation can be found by referring to the March issue.



Above, the control operator gets the signal from the recording room via headphone. The microphone beside the casting director (in shirtsleeves) carries his voice only into the studio on the other side of the soundproof glass panel in the background. *Below*, a special microphone picks up the melody, carries it to the recording room to be registered on discs



Above, a colored envelope stuffer used by banks participating in the program. Actual size is 3 x 6 inches. *Below*, tickets issued by member banks for attendance at the broadcasts. From the beginning, studio audiences have numbered about 2,000



BANKING

NATIONAL BROADCASTING COMPANY - WBZ - A

Massachusetts on the March!

Broadcast to be given in the GRAND BALLROOM of
THE BRADFORD HOTEL
Tremont Street opp. "Metropolitan"—Boston

JAN. 1939

29

SUNDAY - 4:30 P. M.

Doors Close at 4:15 p.m.

Void If Sold - See Reverse Side

GRAND TICKET COMPANY, BOSTON



Admit One - Jan. 29

**ADMIT BEARER TO
RESERVED SECTIONS**
In the Grand Ballroom of the Bradford Hotel
for the Radio Broadcast
MASSACHUSETTS ON THE MARCH!

JAN. 1939

22

INSTRUCTIONS

Give this ticket **ONLY** to the usher inside the Ballroom. You will need a regular ticket in addition to this to gain admittance to the Ballroom.

Admit One - Jan. 22



Left, radio actors and actresses record a dramatic moment for future broadcast. They work against the handicap of having no studio or radio listeners, but the recording must meet rigid standards before its acceptance. Below, a poster used to advertise the broadcasts



Left, recording the program on wax discs. From this master plate other records are cut. Below, representatives of the Life Insurance Council Advertising Committee and agency listening to the broadcast in the studio



Below, John C. Scammell, professor of English, College of Business Administration of Boston University. On these programs he conducts an interesting series of quizzes of high school students



April 1939

Regional Conference in New York

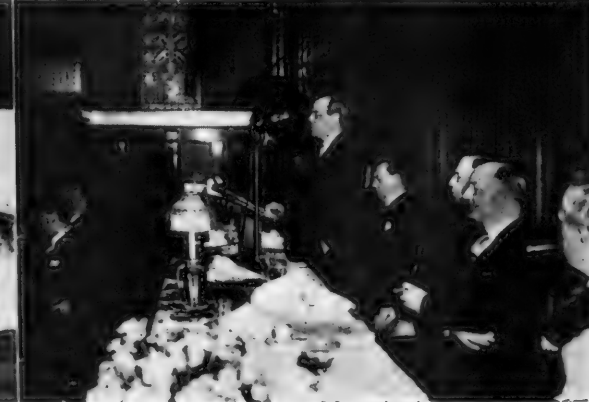
THE third and last regional conference on this year's American Bankers Association program held a busy three days of sessions at the Waldorf-Astoria Hotel, New York, last month. The New York conference, as well as those in Columbus and Minneapolis in February, dealt with the problem of "Meeting the Public Needs in Banking". (See page 49 in this issue.)

The pictures below cover a few of the high spots on the varied program.

Top: left, W. Randolph Burgess, vice-chairman, National City Bank, New York, speaking at the first general session; right, members of the New York Chapter, American Institute of Banking, in a customer relations skit.

Center: left, luncheon given for the representatives of organizations which took part in the educational displays; right, Executive Manager Harold Stonier presiding at the panel discussions of "Federal Fiscal Policies—Banking and Business".

Bottom: left, P. R. Williams, President, Savings Division, A.B.A., and vice-president, Bank of America N.T. & S.A., Los Angeles, at a round table conference on operating problems of savings banks; right, Philip A. Benson, President, American Bankers Association, and president, Dime Savings Bank of Brooklyn, presiding at the final luncheon of the conference. The principal speakers on this part of the program were A. L. M. Wiggins (second from right), Chairman, Committee on Federal Legislation, A.B.A., and president, Bank of Hartsville (S. C.), and Dr. Virgil Jordan (on Mr. Benson's immediate right), president, National Industrial Conference Board, Inc., New York.



RECORDAK TRANSIT SYSTEM CUTS COSTS 50%

PHOTOGRAPHICALLY operated, the Recordak Transit System is naturally a safer and far more accurate, speedier and smoother running method.

Much production detail and burdensome descriptive work are eliminated. Differences are held to a minimum because the operator's attention is focused *only* on the proper listing of checks. And lost transit letters can be immediately duplicated photographically.

Recordak savings are important savings. In 2,000 banks, located in small communities as well as in metropolitan centers, the reduction

in transit costs is as great as fifty per cent.

There is no necessity for purchasing new equipment when installing Recordak. Recordak systems are rented, not sold... No capital outlay required, no depreciation, no special operator needed.

Recordak systems are serviced from twelve conveniently located offices... one close to your bank. For further information regarding Recordak, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

Coming to the New York Fair?

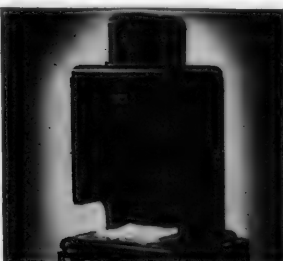
You are cordially invited to make your New York headquarters at our offices, 350 Madison Avenue, at 45th Street.



Bank Model Recordak for speeding up the transit operations and for photographing paid checks for protection of banks and depositors.



Reversible Recordak photographs both sides of checks and larger bank forms at a single operation — and at lightning speed.



Recordak Junior for the smaller bank, and for special departments of large banks (tellers' cages, safe deposit vaults, trust and filing, etc.).



Commercial Recordak for photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS

The economical answer
to an

annual spring problem
in the home



Everywhere, at this time of year, people are beginning to worry about the spring and summer supply of hot water. When the time to close down the winter heating plant arrives, "What to do about hot water" is a real serious question.

It's no problem in the home with complete modern Anthracite equipment. The modern Anthracite water heater with regulator, provides a constant supply of hot water, 24 hours a day, in ample quantities for every purpose—at $\frac{1}{3}$ to $\frac{1}{2}$ the cost of gas or electricity.

Modern Anthracite tank heaters are equipped with regulators that keep the water always hot—never too hot. They regulate drafts, eliminating all hand regulation. They save steps—save running up and down the basement stairs to light, adjust, and turn the heat on and off.

All of this convenience, plus the luxury of a constant, ample supply of hot water, costs as little as $\frac{1}{3}$ as much as the same service with any other fuel.

ANTHRACITE INDUSTRIES, Inc.

Chrysler Building

New York, N. Y.



THE 7 ESSENTIALS OF COMPLETE HEATING SATISFACTION

- ★ COMFORT
- ★ CLEANLINESS
- ★ CONVENIENCE
- ★ HEALTHFULNESS
- ★ SAFETY
- ★ DEPENDABILITY
- ★ ECONOMY

Save with
ANTHRACITE
(HARD COAL)
THE ONLY 7 STAR FUEL





Spring Meeting

Members of the official family of the American Bankers Association will be at The Homestead (above), Hot Springs, Va., April 23-26 for the important Spring Meeting of the Association's Executive Council.

Legislative Committee Considering Three Problems in Federal Field

Proposed Laws Affecting Banking Watched By Group

The Federal Legislative Committee of the Association has under consideration the solution of three problems which require affirmative action.

These are: (1) the renewal or extension of executive officers loans made by member banks prior to June 16, 1933, beyond June 16, 1939, the present time limitation in the law; (2) the continuation of present interlocking personnel relationships between member banks and other banking institutions to which the prohibition under Section 8 of the Clayton (Anti-Trust) Act would become effective August 1, 1939; and (3) the problems of meeting the requirements of the Fair Labor Standards Act of 1938 with respect to the higher salaried employees and with respect to overtime resulting from peak periods or other circumstances beyond a bank's control.

In addition, the Committee

is vigilantly watching all pending legislative proposals, directly or indirectly affecting banks, particularly those measures which are designed to stimulate capital loans to business and industry.

Foreign Trade Bankers to Meet

The 17th annual meeting of the Bankers Association for Foreign Trade will be held April 27-28 at French Lick

Springs, Ind. W. F. Gephart, vice-president of the First National Bank in St. Louis, is president of the Association.

Below, Snapshot at the Minneapolis Regional Conference



A.B.A. 1939 Conference Series Aids Banks in Meeting Public Needs

See the Digest

In BANKING's Digest (p. 89) are excerpts from a number of the talks heard at this year's regional conferences.

Public Relations Material Aids Massachusetts

How bank public relations activities are being promoted in Massachusetts through wider use of A.B.A. material is reported to the Public Education Commission by John S. Gwinn, executive secretary of the Massachusetts Bankers Association.

The latter's public relations committee, head by Frank Converse, vice-president, Merchants National Bank of Boston, has stressed the value of the A.B.A. material at meetings of the state's clearing-house associations, and the program, says Mr. Gwinn, has been successful.

Year's "Regionals" End at New York

This year's regional conferences of the American Bankers Association gave approximately 4,000 bankers in three dozen states an opportunity to hear expert discussion of the problems, basic and practical, that confront their profession today.

Concluding with a three-day savings and commercial banking conference in New York, the 1939 series of meetings brought to 12 the number of regional gatherings held since this phase of the Association's educational program was revised and expanded four years ago.

The theme of this year's conferences, "Meeting Public Needs in Banking", found expression in general business meetings, round tables, seminars and informal discussion at Columbus and Minneapolis, in addition to New York City.

President Philip A. Benson presided in each city.

More than 50 speakers were on the New York program, which combined questions of importance to both savings and commercial bankers. Among the features of the conference were round table discussions on commercial bank credit and operating problems; savings bank problems; a public relations and banking education meeting; discussions of bank investments; an economics seminar, "Federal Fiscal Policies—Banking and Business", with panel discussions by the staff of the economics department, The Graduate School of Banking; and a forum on the subject of school savings.

The conference was concluded with a luncheon given by the New York City sponsoring committee, of which Harry E. Ward, president of the Irving Trust Company, was chairman.

Banking Literature Expanded by Useful Association Studies

A.B.A. Issues 50 Titles in 2 Years

In the past two years the American Bankers Association has published some 50 useful and practical books, pamphlets and reports, representing studies or activities of its various commissions, committees and sections.

Many of these publications have had wide circulation and have proved to be important additions to banking literature in their fields.

Following is a bibliographical list of the material issued by the Association since April 1937. One copy of each piece is distributed free to members at the time of publication; a charge is made for additional copies.

Agricultural Commission

Directory: county key bankers and agricultural committees of the state bankers associations (annual).

American Institute of Banking

Accounting, by Howell A. Inghram. 1937.

Analyzing Financial Statements. 2 parts. 1938.

Bank Administration (Banking III) 1938.

Bank Organization and Operation. 1937.

Economics I. 1937.

Economics II. 1938.

Home Mortgage Lending. 1938.

Money and Banking. 2 parts. 1938.

Utilizing the Weekly Federal Reserve Statement. 1938.

Bank Management Commission

Earnings and Expenses of All Insured Commercial Banks. (Bulletin 75, 1938).

Interest Rates Paid on Deposits. (Bulletin 71, 1937).

Interest Rates Paid On Deposits. (Bulletin 73, 1938).

Loan Administration Policies. (Commercial Bank Management Booklet 21).

Pay-As-You-Go Checking Accounts and Remittance Check Service. (Supplement to Commercial Bank Management Booklet 18).

Proceedings. Eighth Annual Clearinghouse Round Table Conference. (Bulletin 72, October 1937).

Quiz for Bankers

How many of the American Bankers Association publications listed in the accompanying columns have you seen?

Do you make sure that the Association's studies and reports reach your desk promptly?

Proceedings. Ninth Annual Clearinghouse Round Table Conference. (Bulletin 76, November 1938).

Purchasing of Bank Supplies. (Commercial Bank Management Booklet 22).

Service Charge Survey, 1938. (Bulletin 77, January 1939).

Standardization of Bank General Ledger Accounts and Statements of Condition and Operation. (Commercial Bank Management Booklet 20).

Statement of Principles and Standards of Investment for Commercial Bank. 1938.

Survey of Personal Loan Department Experience and Practice, prepared by the Bank Management Commission and Savings Division. (Bulletin 74) 1938.

Banking

Government Banking Agencies. Reprinted from the November 1938 issue.

Banking Studies Committee

Government Lending Agencies. 1937.

Committee on Federal Legislation

Summary of 1938 Federal Legislation Affecting Banking. 1938.

Committee on State Legislation

Banking Boards: Statutory and Factual Study. 1938.

Graduate School of Banking

Discretionary Powers of Trustees under Wills and Trust Agreements.

Investment Provisions of Wills and Trust Agreements.

Philosophical Background of Current Economic and Social Problems, by Everett D. Martin. 1938.

National Bank Division

Comparative Ratio Figures on Earnings and Expenses of



Listening

Bankers at the Minneapolis conference listen to one of the Association's transcribed radio programs being demonstrated to them in the Public Relations Laboratory.

All National Banks. 1937; 1938.

Public Education Commission

Customer Relations. 1938: The American System of Free Enterprise; Free Enterprise and Democracy; How Banks Serve Their Communities; Everyday Questions About Money: Managed Money; Everyday Questions About Money: Inflation and Deflation; Is There a Future for Banking?; also, Talk—Organizing For Public Relations.

Public Relations Council

Banking and Public Opinion. (Public Relations for Banks, study 1) 1937.

How Some Banks Have Dealt with Their Public Relations Problem. (Public Relations for Banks, study 2) 1937.

News About Your Bank. (Public Relations for Banks, study 3) 1937.

Savings Bankers Will Visit Fair

A visit to the World's Fair will be the concluding feature of the three-day conference to be held in New York by the National Association of Mutual Savings Banks May 10-12. A special program is being arranged for the occasion, which will mark one of the first big days of the Fair.

What Your Community Thinks About Its Banks—a Plan for Finding Out. (Public Relations for Banks, study 4.)

Research Council

The Earning Power of Banks. 1939.

Mortgage Pools for Trust Investment, by Malvin F. Gestalder. 1938.

Studies in Trust Business, by Gilbert T. Stephenson. 1938.

Trust Business in the Future: Its Association with Banking, by J. W. Remington. 1938.

Trust Examination: an Examiner's Analysis, by Edwin P. Neilan. 1939.

Savings Division

The Bank Customer Inquires: Federal Savings and Loan Associations. March 1938.

Savings Deposits and Depositors in Banks and Trust Companies of the United States for the Year 1937; 1938.

School Savings Banking. 1936-1937; 1937-1938.

School Savings in Action. 1938.

State Bank Division

Condition and Operation of State Banks 1936; do. 1937.

Trust Division

Cooperative Selling by Life Underwriters and Trust Men. Life Insurance and Trust Councils, by the Trust Division and the National Association of Life Underwriters. 1937.

Graduate School Makes Plans for 1939 Meeting

Fifth Session Opens June 19 at Rutgers

Registration closes May 1 for the fifth resident session of The Graduate School of Banking conducted by the American Bankers Association at Rutgers University, New Brunswick, N. J., it is announced by Dr. Harold Stonier, director.

The session, as usual, runs for a fortnight, the dates being June 19 to July 1, inclusive.

Admissions to the Class of 1941, which begins its School work this year, will be limited to the first 200 applicants who meet the entrance requirements.

Except for the addition of two men to the teaching staff, the schedule for the 1939



On the Rutgers Campus

resident session reveals few changes. The newcomers on the faculty are Nelson L. North, a real estate authority, who will assist in a savings banking course, and Oliver S. Powell, first vice-president of the Federal Reserve Bank of Minneapolis, who will lecture in the commercial banking course

that considers the Reserve System.

One elective course is being offered this year. Everett Dean Martin, professor of social psychology, at Claremont Colleges, whose lectures on "The Philosophical Background of Current Economic and Social Problems" were a feature of

Reveille and Retreat

Note to Graduate School students: Your classes at this year's resident session will start at 8:30 a.m., a half hour earlier than heretofore. Every evening there is a seminar until 9:30.

last year's session, this year discusses "Principles of Political Association." He will consider some of the philosophical concepts from which have grown present forms of government and their problems. The aim of the course is to "offer a broader base for the consideration of current questions affecting our social order."

Dr. Martin's lectures will be heard on the evenings of June 26, 27 and 28.

Leonard P. Ayres, vice-president and economist, Cleveland Trust Company, will speak at the evening seminar, June 23. Dr. Paul P. Cadman, San Francisco economist, will deliver three addresses to the students during the session.

CONVENTIONS

American Bankers Association

- Apr. 23-26 Spring Meeting, The Homestead, Hot Springs, Virginia
- June 5-9 American Institute of Banking, Hotel Pantlind, Grand Rapids, Michigan
- June 19-30 The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey
- Sept. 25-28 Annual Convention, Olympic Hotel, Seattle, Washington

State Associations

- Apr. 4-5 Wisconsin Banking Conference, University of Wisconsin, Madison
- Apr. 14-15 Florida, Jacksonville
- Apr. 28-29 New Mexico, Hotel Clovis, Clovis
- May 3-4 Indiana, Claypool Hotel, Indianapolis
- May 4-5 Maryland, Hotel Traymore, Atlantic City, New Jersey
- May 4-5 Oklahoma, Oklahoma City
- May 4-5 Tennessee, Hotel Patten, Chattanooga
- May 6 Oklahoma Institute of Banking, Oklahoma City
- May 8-10 Missouri, Excelsior Springs
- May 9-10 Mississippi, Buena Vista Hotel, Biloxi
- May 9-11 South Carolina, The Poinsett Hotel, Greenville
- May 10-12 Kansas, Topeka
- May 10-12 North Carolina, Carolina Hotel, Pinehurst
- May 11-12 Alabama, Jefferson Davis Hotel, Montgomery
- May 14-19 Virginia, Cruise to Bermuda on board the Queen of Bermuda
- May 16-18 Texas, Baker Hotel, Dallas
- May 18-19 Ohio, Commodore Perry Hotel, Toledo
- May 18-20 New Jersey, Hotel Ambassador, Atlantic City
- May 23-24 Arkansas, Hotel Marion, Little Rock
- May 24-26 California, Hotel Del Coronado, Coronado
- May 24-26 Pennsylvania, Hotel Traymore, Atlantic City, New Jersey
- May 25-26 Illinois, Pere Marquette Hotel, Peoria
- May 25-27 Massachusetts, New Ocean House, Swampscott

- May 25-27 West Virginia, White Sulphur Springs
- May 25-30 New York, Cruise to Bermuda
- May 26-27 North Dakota, Grand Forks
- May 29-30 Annual Educational Conference, Arkansas Junior Bankers Section, Hot Springs
- June 2-3 South Dakota, St. Charles Hotel, Pierre
- June 5-7 Iowa, Hotel Fort Des Moines, Des Moines
- June 7-8 Georgia, Hotel De Soto, Savannah
- June 7-8 Wisconsin, Hotel Schroeder, Milwaukee
- June 8-11 District of Columbia, The Homestead, Hot Springs, Virginia
- June 9-10 Vermont, Woodstock Inn, Woodstock
- June 9-10 Wyoming, Casper
- June 11-16 Virginia Bankers Conference, University of Virginia, Charlottesville
- June 12-13 Oregon, Hotel Gearhart, Gearhart
- June 14-16 Minnesota, St. Paul Hotel, St. Paul
- June 15-16 Washington, Spokane
- June 16-17 Colorado, Hotel Colorado, Glenwood Springs
- June 19-20 Utah, Grand Canyon National Park
- June 19-21 Michigan, Statler Hotel, Detroit
- June 23-24 Montana, Yellowstone National Park
- June 23-25 Maine, Poland Spring House, Poland
- July 10-14 North Carolina Bankers Conference, University of North Carolina, Chapel Hill
- July 18-20 Kentucky Bankers Conference, Lexington
- Aug. 7-11 Arkansas Bankers Seminar, University of Arkansas, Fayetteville
- Aug. 14 Tennessee Bankers Conference, University of Tennessee, Knoxville

Other Organizations

- Apr. 6-8 Third Pacific Northwest Bank Conference, Washington State College, Pullman, Washington
- Apr. 27-28 Annual Meeting of the Bankers Association for Foreign Trade, French Lick Springs Hotel, French Lick Springs, Indiana
- Apr. 28-29 Mid-Continent Regional Conference, National Association of Bank Auditors and Comptrollers, Baker Hotel, Dallas, Texas

A Spring Bookshelf

Trust Examination

ANOTHER thesis prepared by a student of The Graduate School of Banking appears in book form as *Trust Examination* (\$1.50). The volume, by Edwin P. Neilan of the Philadelphia Federal Reserve Bank, is "an examiner's analysis" of a recent development in the supervisory sphere. It is the fourth title in the series of trust research studies published by the Research Council of the American Bankers Association.

As a trust examiner active in several states, Mr. Neilan was well equipped with laboratory material and experience for this study. Starting with a brief review of trust business development, supervision and the conditions that prompted the present scope of examination, the author considers the problems faced by an examiner, such as compliance with law and regulation, the effect of trust administration upon bank solvency, appraisal of management, policies and practices, and adequate remedial measures. Examining personnel, effective forms and individual examinations are also considered. The book concludes with a chapter on how banks can contribute to more effective examinations. "A well designed system of trust administration," says Mr. Neilan, "provides the information which the examiner requires and produces a good examination within reasonable time." He suggests some methods and records that will facilitate the examiner's work.

For Savings Bankers

It's about time the savings banks got a break from the book writers, and here it is: *Savings Banking in New York State* (Duke University Press, \$3), a little volume that fills a big gap on the shelf of banking literature. The author, Weldon Welfling, of Duke University's economics department, subtitles his work "a study of changes in savings bank practice and policy occasioned by important economic changes", which puts a finger on the kernel of the text, namely, the part dealing with effects of the depression.

Dr. Welfling writes about New York because it is the most important savings bank state. Devoting some space to significant historical material, he comes to an analysis of problems and policies of the savings banks as they have developed during the last decade — mortgages, real estate, bond investments, institutions supplementary to the banks, activity of deposits, and liquidity. Savings bank life insurance is not considered because of its newness in New York. Several interesting conclusions are reached as to the future of these banks, one being that for some time they will be increasing bond investments in relation to mortgages, and that "within the bond portfolios the trend will be toward government obligations." The "lack of good mortgages, the uncertain future of the railroads, and the price relationship of the different classes of bonds lead to these developments," Dr. Welfling says.

Current Problems

Ten writers contribute to *Economic Problems in a Changing World* (Farrar & Rinehart, \$5), which presents a picture of the dynamic forces that make up the economic system. Edited by Willard L. Thorp of Dun & Bradstreet, Inc., the book offers studies of problems in consumption, prices, management, labor, capital and government. The authors are

Edward Berman, Corwin D. Edwards, Theodore J. Kreps, O. W. Blackett, Arthur E. Burns, F. Cyril James, C. L. Jamison, D. S. Watson and R. S. Winslow, in addition to the editor. Emphasis is placed on the present and future rather than the past, and particularly on points at which the economic order is disturbed. . . . The "vast and vital" subject of decentralization of industry and people in the United States is another problem considered by a recent book. Its title is *America Reborn* (Longmans, Green, \$3), its author Ralph L. Woods. Examining first the roots of our urbanism, Mr. Woods builds his case against the concentration of work and men, showing why centralization is wasteful, undesirable and no longer necessary. He also points out how decentralization can be accomplished.

Social Security

Social Security Taxation and Records (Prentice-Hall, \$7.50) is a manual for employers, at least to the extent that it deals with basic principles such as timekeeping, payroll accounting, personnel records, and Social Security record keeping. The authors, Calvin E. Favinger of Sears, Roebuck and Company, and Daniel A. Wilcox, a consulting management engineer, describe and illustrate 40 systems, ranging from the most simple to the large-scale mechanized ones. Records, required reports, accounting, reserve accounts, benefits, claims, penalties and the merit rating are among the subjects considered in some detail.

About Banks

In *Member Bank Borrowing* (Ohio State University, \$2.50), Robert C. Turner, assistant professor of economics at Wayne University, Detroit, takes as his central problem an analysis of the factors that influence borrowing from the Reserve banks by member banks. He also examines critically the leading theories of this borrowing—the "need" and "profit" theories—in the light of current banking practice. The book is the result of a research project of Ohio State's Bureau of Business Research. . . . *Financial Study of the Joint Stock Land Banks* by Carl Herbert Schwartz, Jr. (Washington College Press) is a monograph covering the background, organization, operation and liquidation of these institutions.

Other Books

The Bureau of Business Research at Ohio State University publishes *Ohio Bank Suspensions and Liquidations, 1920-37*, a monograph by J. M. Whitsett of the economics department. Dr. Whitsett analyzes data on state and national bank casualties, describing in detail the liquidation results for Ohio state banks since 1930. . . . A second edition of William Raymond Green's *The Theory and Practice of Modern Taxation* is published by Commerce Clearing House, Chicago, \$3.50. A large part of the text of the first edition, issued about five years ago, was rewritten to cover recent changes in methods and practice of taxation. . . . *Cause and Control of the Business Cycle* by E. C. Harwood (American Institute for Economic Research) is the second edition of a book first published in 1932. Written primarily for the layman, it brings up to date the earlier material and makes another contribution to business cycle theory which, says the author, has been improved in recent years.

EVEN "FUMBLERS" FIND MORTGAGE DATA FASTER IN..

Kompakt Classifiles!



An entirely new idea—several index sheets per folder, each with an individual fastener.

A new method of arranging and filing vital papers, developed specially for banks and trust companies.

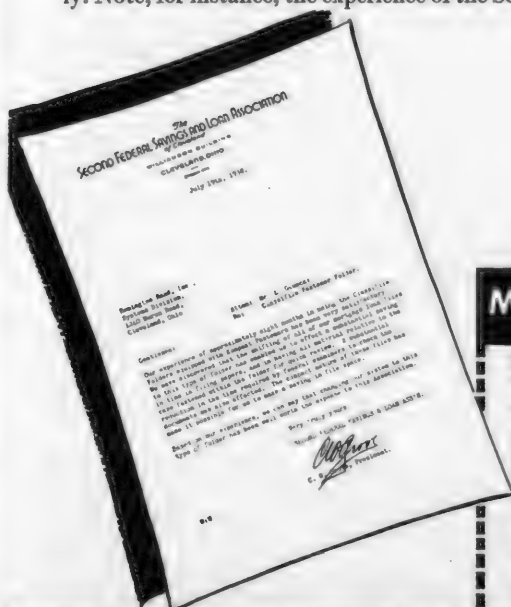
If you're a "file fumbler", you'll like Classifile Folders because they lead your fingers directly to the paper that you want. If you're one of those systematic persons who "have a place for everything", you'll find that Classifiles tie right in with your plans. Remington Rand makes them specially for bank mortgage, trust, property and credit files.

Bankers tell us they cut finding time spectacularly. Note, for instance, the experience of the Second

Federal Savings & Loan Association of Cleveland, quoted at the left. Here filing time was also saved. But—very frequently—the space economy alone pays all the cost in a remarkably short time.

You really ought to see the Classifile Folder to know everything it will do for you—how it groups and indexes related papers, how it binds them securely into place, how it brings the whole story of a transaction to a single location for study or review.

So mail the coupon, and we'll place a sample on your desk. Then you can judge the economy, the convenience, the working speed Classifiles offer you.



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MAIL THIS COUPON—NO OBLIGATION

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Please send me a sample of your new Bank Folder, "Classifile". Tell me how it saves finding time and filing space.

Name.....

Bank.....

City & State.....

WE HAVE DEVELOPED MANY
UNIQUE SERVICES AND UNUSUAL SYSTEMS PRODUCTS...

See it **Remington Rand**
Makes it

METHODS and IDEAS

This department of BANKING is conducted by our Methods and Ideas reporter, John J. McCann

Central Locator File

IN ITS MAIN OFFICE at One Wall Street, the Irving Trust Company maintains an index of the names and addresses of all its customers and of others for whom information files have been created. The banking office with which each customer deals, or at which each file is carried, also is indicated. Because this index was created to "locate" detailed information quickly, it is called the "locator file".

This index is the first recourse when a name comes up which cannot be immediately connected with the bank's main office or one of its six branches. Hundreds of blind letters, checks not drawn on the bank's standard forms, inquiries from administrators of public relief who are seeking chiselers on their rolls—scores of types of inquiries—are answered daily from the 85,000 cards in this file. A large number of the inquiries are made over the telephone from several hundred points within the bank and are answered immediately by the supervisor or one of her two assistants. This service requires unusual mental alertness to receive names correctly and report on them. In 1938 approximately a million inquiries were answered.

For quick reference, information has been typed on visible index cards. These are filed in 64 tray cabinets manufactured by Acme Card System Company of Chicago. An interesting double-deck tray construction gives twice the ordinary capacity, or 190 cards to each tray. Cabinets are set at convenient height for reference by a person seated in a chair. The operators' chairs are

equipped with large-sized casters for ease of movement. The file is divided into two sections—A to K and L to Z—with an operator stationed at each section. Team-work by the operators at traffic peaks is simplified by a flexible arrangement of telephones.

New cards and instructions for changes on present cards are prepared by the department in the bank where the change originates.

Chex

CHEX, a new type no-minimum-balance plan, made its debut recently in Richmond through its originator, the State-Planters Bank and Trust Company. One of the many interesting features of the plan is the novel patented check book, printed to the bank's specifications by a local concern. The checks are attached lengthwise instead of at the conventional side. The deposit and withdrawal record page faces the first and each fifth check. The form provides entries for five checks. As the book is spiral bound with a white plastic composition, it opens flat. The withdrawal record therefore lies directly above the check to be drawn, and has the effect of inviting attention first.

The book of 20 Chex is sold for \$1. There is no charge for deposits. Statements will be rendered three times a year, February, June and October; additional statements will be rendered for a 25 cent fee. Certification is 15 cents. Stop payment orders cost 50 cents. Protest fee of \$1 is charged for insufficient funds. The bank accepts no

CHECKS DRAWN			DEPOSITS			BALANCE
NUMBER	DATE	IN FAVOR OF	AMOUNT	DATE	AMOUNT	
		FOR				
		FOR				
		FOR				
		FOR				
		FOR				
		FOR				

STATE PLANTING BANK & TRUST CO.
 CHURCH HILL BRANCH
 RICHMOND, VA.

PAID TO THE ORDER OF _____ \$ _____
 DOLLARS

SPECIMEN

CHEX (Column 2)
Actual size of the check is 6 x 23/4

responsibility for payment of checks presented on the same day a deposit is made, unless a sufficient sum to cover the check is already on deposit. If an account is inactive for one year a 25 cents per month maintenance charge will be imposed. Spoiled Chex are replaced without charge.

The new service is being developed as a "feeder" for the instalment loan department, and the anticipated volume of new customers should create a profitable income for Chex and instalment loans.

Copy Excellence

THE MANUFACTURERS NATIONAL BANK OF TROY (New York), Marine Midland member, received second honors for a campaign most distinguished for excellence of copy in the Annual Awards of Advertising & Selling. Successor to the
(CONTINUED ON PAGE 56)

CAR CARD COUP (Page 64)

The idea has been used by a varied list of advertisers

YOU

PERSONAL LOANS and LOANS ON LIFE INSURANCE POLICIES MADE AT 4%

(excludes commercial banking facilities. You don't qualify until you establish credit - see us here, no exceptions)

FOR EXAMPLE: Here is the typical personal loan for one year:

WEEKLY PAYMENT PLAN	
SUPPOSE YOU BORROW.....	\$100.00
INTEREST DEDUCTED AT 4%.....	\$4.00
NET PROCEEDS YOU RECEIVE.....	\$96.00

You pay back \$22 weekly for 52 weeks (total \$1130, doesn't pay off your loan in full. There are no other charges of any kind)

FOR FULL DETAILS PLEASE TAKE ONE OF THESE CARDS

PERSONAL
loan you know

BANK OF AMERICA
14th Street and New Avenue
New York City, N.Y.



STORM CRIPPLES PRODUCTION but expense marches on!



IT'LL BE WEEKS
BEFORE WE
CAN GET INTO
RUNNING ORDER
AGAIN.

Like a colossus from the clouds, hostile winds rush earthward to vent their fury upon man's fragile handiwork. Left in their devastating path are the untold effects of property damage . . . plants torn asunder, power lines down, machinery bogged, production crippled.

But expense marches on! For when output is stopped and orders unfilled, income is canceled. Yet during the period of inactivity to follow, payrolls come up and notes, taxes and other current charges must be met.

Here is proof that manufacturers re-

quire protection for more than *direct* loss caused by windstorm, fire, aircraft damage, explosion. Invisible income values, sustained by the whirl of wheels and the buzz of production, should also be hazard-proof.

Bankers interested in the successful operation of certain manufacturing plants may consult agents of The Home on the advantages of Use and Occupancy Insurance. This valuable supplementary form reimburses for loss suffered during interruption of normal business as the result of hazard.

THE HOME INSURANCE COMPANY NEW YORK

FIRE — AUTOMOBILE — MARINE and ALLIED LINES OF INSURANCE

"When it's a question of service, I let our depositors help us decide!"



"TAKE CHECK PAPER, FOR EXAMPLE . . .

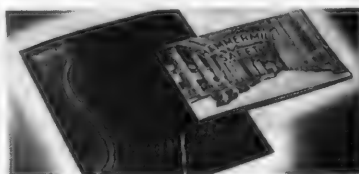
"Last month we made some changes in the design on our checks. When the question of paper came up, we did the usual thing. Got in samples of the leading check papers and studied them. Which one gives the best protection . . . which is easiest to write on . . . which is best able to stand abuse in handling?"

"It was hard to make a choice. So we asked a number of our depositors: 'Which of these papers would you prefer for your checks?'"

"That's where we learned a lesson in public relations. One after another they selected the paper with the surface mark: Hammermill Safety. 'There's a name I know . . . I've seen Hammermill advertising for years . . . We use Hammermill papers in our office . . . Never heard of those other papers . . . I'll string along with an old friend.'"

"Now that was one angle we hadn't considered . . . the value of a name. It's a plus that only Hammermill Safety can give us—the opportunity to link our bank's prestige with the national reputation and good will which all Hammermill papers enjoy. Naturally we selected Hammermill Safety. It was only common sense."

TRY IT YOURSELF. Compare Hammermill Safety with the check paper you are now using. Mail coupon for the sample book of Hammermill Safety and portfolio of checks in bank and commercial styles.



LOOK FOR THIS
SURFACE MARK

**HAMMERMILL
SAFETY**

MADE BY THE MAKERS OF HAMMERMILL BOND

Send for it!

Hammermill Paper Company,
Eric, Pa. B-Apr.

Please mail me the sample
book of Hammermill Safety and
Portfolio of Specimen Checks.

Name _____

Position _____
(Please attach to business letterhead)

METHODS—Continued

famous Harvard Awards, this event attracts entries from every field and every branch of the ad-maker's art. Scoring points were based on these objectives: to remind Troy citizens, with their strong sense of local pride, of the intimate part the bank has played in community development; to convey that banks are "human" and share in a community's problems. Appeals: authentic, historical stories about local people and events; "quaint" scenes; simple style.

Adhibitions

A WELCOME VARIATION to the conventional style of newspaper promotion on automobile and personal loans is suggested by the current campaign of the Midland National Bank and Trust Company of Minneapolis. Done with all the interest-provoking guile of comic strip technique, each ad measures five columns by two inches deep and contains two frames of sequence pictures and captions. A third frame carries the selling message and bank signature. Everyday situations are depicted by the pen and ink drawings. Copy, of course, is brief—almost breezy. This style is a current vogue of many national advertisers, but seldom seen in the bank field.

Ounce of Prevention

CITY BANK CLUB (National City Bank of New York) now offers an opportunity to all members over 17 years of age to enroll in a first aid course conducted by the American Red Cross. A fee of \$1 is charged for ten two-hour weekly lectures. Red Cross certificates will be issued to all passing a 75 per cent grade at the final examination. Two groups, one for men and the other for women, have already begun sessions. Other groups are being organized. This is certainly a practical project for any bank group.

Home Prospecting

THE SCRAMBLE for residential construction loan business takes on all the characteristics of super-sales pressure whenever a prospect casts a wishful eye at a house plan—or so go the reports from many districts. The United Savings Bank of Detroit, finding the local situation no exception, tests a practical mail campaign designed to reach prospective families before their home building intentions crystallize and before their names are passed around to everybody's list.

(CONTINUED ON PAGE 58)

"\$600 worth
of lumber, please



"I'm building the house myself"

SOME pay more for lumber, some pay less. But we all know the amateur house builder gets an expensive education. The middlemen pay their way in the building field as elsewhere—the architect in planning, the contractor in speed and experience, the building supply dealer in wide stock and prompt service, the skilled workman in craftsmanship that lasts through the years. In fact most home financing is contingent upon good plans, reliable materials and capable supervision.

When the architect, the contractor or the master builder buys insurance from the experienced agent or broker of a stock insurance company he does not say "\$50 worth of insurance please." He asks for and gets the advice and full

services of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

* * *

Because we believe so thoroughly in the services of an expert middleman whether architect, contractor, insurance agent or broker, we refuse to accept business direct because it is not in the interest of the Company or the assured to do so. When you buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock insurance company directed to the independent business men in the building field in your city.

The commercial bank, like the architect, contractor, or building supply dealer, is a middleman, specializing in the credit field. Its customers and its directors are chiefly independent businessmen—representative of the American Business System.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

*Continental Illinois
prides itself
on the promptness
of its collection service,
made possible
by a nation-wide network
of correspondent banks*

**CONTINENTAL ILLINOIS
NATIONAL BANK
AND TRUST COMPANY
OF CHICAGO**

Member Federal Deposit Insurance Corporation



SAFE

Our cheques are issued in Canadian and United States Dollars and Sterling.

U. S. Dollar Cheques are redeemable at par by the National City Bank of New York.

**Canadian Pacific Express
TRAVELLERS CHEQUES**

METHODS—Continued

The plan involves a simple double postcard used as an enclosure with monthly notices to present mortgagors. Half of the card contains a short letter addressed to the mortgagor requesting the names of friends planning to build or buy in the near future. The other half is a perforated business reply card providing name and address blanks.

The first mailing netted a 1 per cent return. Each prospect receives a cordial letter invitation to visit the mortgage department for sound advice. Well designed enclosures explain both FHA and bank-plan mortgage loans. And, of course, a "thank you" note is also sent to the cooperative mortgagor for his help.

Public Relations

TWO YEARS AGO Nebraska voters defeated a proposal to repeal the constitutional provision fixing individual liability of stockholders in state banks. It took no poll to discover why. A general lack of information was evident and memory of '33 was still fresh.

Prior to the past election, the Nebraska Bankers Association again obtained legislative permission to put their proposal before the public, this time realizing that it would be doubly difficult to obtain a favorable vote due to new circumstances. The law was part of

(CONTINUED ON PAGE 60)

Below is an East River Savings Bank (New York) window display. The copy in front of the Apollo statuette says: "Every 24 hours Apollo, the Sun God, brings us the dawn of a new day. Let a savings account brighten your days to come"



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**Blank
copy
says:
God,
let a
s to**

—on new, low-cost Burroughs Multiple-Form Writing Machine

This type of machine may also be used to write bank drafts, cashier's checks and check register, transit letters and many other records. In some banks the work can be arranged so that the same machine can be used for more than one job. Complete information on request.



Burroughs Adding Machine Company
6234 SECOND BLVD.—DETROIT, MICHIGAN

METHODS—Continued

the state constitution and, as in other states, public opinion was strongly opposed to tampering with anything constitutional.

Sizing up this predicament, the association set about organizing its campaign. Paid space was the only possible vehicle, there being no backing from civic organizations or the press. Both political parties, however, endorsed repeal of the law, but neither made an issue of it in their platforms.

The course was laid to the voter's self-interest. He was told why and how

the law was responsible for nearly 100 bankless towns. He was shown that new banks could provide money for the movement of grain and livestock, thus increasing rail transportation and employment. Appeals reasoned the whole thing out with enough drama and punch to command interest.

Condemning the bill as "Nebraska's Dr. Jekyll", the final advertisement was a jolt to quick decisive action. Result: 14,000 votes in the affirmative ballot for repeal. In 1936 the same proposal lost by 7,000 votes. Here's proof, indeed, that sound reasoning and effort are keys to public opinion.

Approach

TRUST COMPANY OF GEORGIA (Atlanta) chalks up a record for its educational campaign under the central theme—"consult your attorney"—which has been running in folder form for several years. Each mailing piece, attractively styled, was built around pertinent trust appeals and directly suggested consultation with the family lawyer in all matters pertaining to wills and other legal instruments. As usual, a year-end "bread and butter" acknowledgment was mailed to each attorney through whom business was directed to the bank. Now, the first of a new series of leaflets contains a facsimile of this letter addressed to John Doe, Attorney-at-Law. Its purpose is to exploit the record attained in 1938 for its prestige value among attorneys and trust prospects. This idea suggests a good way of getting around an otherwise difficult but effective selling story.

Automatic Savings

A SIMPLE PLAN designed to stimulate savings deposits via a natural route—through the conversion of surplus demand deposits in checking accounts—was introduced a little over a year ago at the First National Bank and Trust Company of Oklahoma City. It is called "Automatic Savings". The checking account patron merely signs a card authorizing the transfer of definite sums at regular intervals to his savings account. The patron keeps his own passbook and presents it periodically for deposit and interest credits. A debit ticket for the amount transferred is included in the monthly checking account statement, and this serves as temporary receipt for the depositor. The duplicate copy is used by the savings department as a deposit or credit ticket for the savings account. With promotion confined to lobby and counter cards, the bank has built an average of over \$4,000 monthly in transfers. The plan, according to Lyall Barnhart, comptroller, holds much broader possibilities if promoted extensively.

Hobby Exhibit

AN EXHIBIT IDEA which attracted wide interest recently was staged by the employees of the Bowery Savings Bank, New York City. Officers of the bank were given an opportunity to "lobby for their hobby" at the bank's Fifth Avenue branch. In the collector's group were ship models, hooked rugs, stamps, coins, prints, snuff boxes, medals, newspapers and Indian pottery. "Working hobbies" included rag rugs, artificial



Hidden reefs

Buoys mark the hidden reefs which peril shipping. But no signal warns of the hidden hazards which threaten business and financial institutions and those whom they serve.

Thus the only *safe course* lies in adequate, all-round insurance and bonding protection.

Standard of Detroit, strong and experienced, protects against financial losses consequent on personal injury, automobile accident, robbery and burglary, embezzlement, forgery, and allied hazards. A Standard agent will gladly outline a program of *sound coverage* for bank, business, or customer.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

flowers, inlaid wood and cabinet work, and lamps. To be sure, the public enjoyed it. Many a sympathizing hobbyist from the customers' ranks looked over items with a critical eye.

Kum-bak

THE FIRST NATIONAL BANK AND TRUST COMPANY OF NEW HAVEN (Connecticut) makes good use of a novel mailing piece, called kum-bak blotter, to acquaint prospects with facilities offered at the bank's West Haven branch. The piece is two-thirds regular enameled blotter stock and one-third business reply card. A perforated separating line makes the card easily detachable. The blotter, in this instance, is printed in two colors on white, illustrating the branch location on a small sectional map. The reply card provides space for name and address, and a list of services to be checked for more detailed information. Novel pieces, such as this, stand out in the mail bag and invite a large number of inquiries.

Consumer Credit

NEWSPAPERS are being used extensively in the merchandising of new consumer credit services by the Cleveland Trust Company. The program consists of two parts: a loan plan available direct to borrower, and a purchase plan through dealers. The first part includes co-signer, executive, collateral, FHA and note secured by automobile. The purchase plan covers new and used car financing and household appliance. Payments on both plans may be made at any of the bank's 50 neighborhood branches.

Appeals for dealer cooperation call attention to the fact that they are offered banking service and financing service from one source. Also, by circular letter, dealers were offered a new service for sales control and efficiency "never before available", the company having arranged to provide statistical data on markets, customer buying habits, etc., on all types of time-payment buyers.

Town Warming

THE FIRST NATIONAL BANK OF BARRINGTON, Illinois, adopted the civic forum idea recently to round out its public relations activities. A series of 14 "Town Warming" meetings held in the auditorium of the Barrington high school attracted thousands. Boake Carter, H. V. Kaltenborn, Channing Pollock, Mark Sullivan and Henry J. Allen were among the list of outstanding speakers.

The meetings were open to the public and were financed by a local group in-

cluding officers of the bank. The underlying theme of all addresses was the solidarity of American democracy. C. W. Kaylor, director of the Barrington bank, tells us:

"We feel we were instrumental in making a real contribution to public relations in the highest sense. An informed community is certainly a prerequisite of sound banking, and there is no better information than that which pertains to wholesome Americanism."

Presenting Values

WHILE the mail bag brings daily evidence of the versatility of layout and

copy in bank promotion, the unusual treatment of an item stands out now and then. One bound to command attention of home buyers was scheduled recently in Rochester papers by the Monroe County Savings Bank. This advertisement was set with strong illustration, caption and signature, but treated the body of the text in typical classified section style. Three tight columns of available homes with brief descriptions were listed alphabetically by streets. Ordinarily, an overload of copy is undesirable, but in this instance the classified technique is familiar and acceptable to the reader's eye.

1863



1939

A Background to Meet Today's Problems

The accumulated experience of The First National Bank of Chicago covers seventy-five years. During that time the bank has seen the nation pass through many business cycles, each with its succession of complicated economic factors. Each of these phases in turn has created its own special problems.

To meet specifically the requirements of business, the Divisional Organization of The First National Bank was developed in 1905. This distinctive feature brings bankers into immediate contact with officers who are specialists in the requirements of correspondents. The long and valuable experience of the bank thus becomes immediately applicable to the problems of today.

The First National Bank of Chicago

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



Rust Immunity

an important safety factor
for mortgage money

There are no metals more durable than copper, brass and bronze. And there are no metals that—over a period of years—offer more economical use in residential building. For they free homeowners of expensive upkeep due to rust. By thus preserving the useful life of a house, copper and its alloys also increase its worth as a mortgage risk.

Reliable, rust-proof copper and brass pipe, Everdur hot water storage tanks, copper roofing, bronze screens and hardware render lasting service. Money invested in them will return dividends by reducing depreciation of the property.

An illustrated booklet, "*Anaconda Copper, Brass & Bronze Throughout the Home*," will be sent at your request.



THE AMERICAN BRASS COMPANY

General Offices: Waterbury, Connecticut
Subsidiary of Anaconda Copper Mining Company

Anaconda Copper & Brass

METHODS—Continued

Bill Paying Service

SOMETHING DIFFERENT in the way of "convenience" services is now being offered to patrons in and about Syracuse by the Merchants National Bank and Trust Company. Through special arrangement, patrons are invited to notify the Central New York Power Corporation to mail monthly light, gas and power bills to the bank, where they are paid and charged against the individual's account. The receipted bill is returned to the patron with the bank's monthly statement and cancelled vouchers. Offered as a safeguard against penalties and a simple way to eliminate the bother and expense of drawing and mailing checks, the service has attracted a goodly number of users, including business offices, stores and factories as well as individuals. This idea gives a new "plus" factor to banking service, and by the same token adds incentive for new business in the checking department.

Educational Series

A SERIES of statements discussing the fundamentals of banking as applied to questions frequently raised by customers is being run currently by the Lincoln National Bank and Trust Company in Syracuse newspapers. So-called "ticklish" points are handled with comparative ease in a convincing, factual style.

Highlighted facts, from the text, are set in bolder type and boxed for prominent display in each advertisement. The first of the series tells "why banks cannot pay a higher rate on passbook interest accounts". The second, released recently, tells how the lower bond interest rates affect the interest banks pay. Reprints of each advertisement are run off for use as enclosures and mailing to a special list.

APPROACH (Page 63)

TRUST COMPANY OF GEORGIA

(ESTABLISHED 1891)

CAPITAL, SURPLUS & PROFITS OVER \$4,000,000

MEMBER FEDERAL RESERVE SYSTEM

ATLANTA, GA.

TRUST DEPARTMENT

December 15, 1936

Mr. John Doe
Attorney at Law
Atlanta, Georgia

Dear John:

In reviewing our records for the past year, I find that more than sixty Atlanta lawyers have drawn Wills in which the Trust Company has been named to serve in a fiduciary capacity. In addition numerous out-of-town attorneys have prepared instruments of a similar nature in which we have been named.

This widespread use of members of the local bar is, I feel, the result of the educational campaign we have conducted for the past several years in which, among other things, we have urged the members of the general public to use their own attorneys in the preparation of Wills and other legal documents.

It is a pleasure to know that your firm has been among those directing business to us and I want you to feel that your cooperation is highly appreciated.

With kind personal regards, I am

Very truly yours,

James C. Shelton
James C. Shelton
Trust Officer

JCS:jh

LONGINES

The World's Most Honored Watch

IS THE

OFFICIAL WATCH of



When world records must be world accepted, the timing organizations responsible select Longines Watches. When great commercial airways like United Air Lines seek authentic aviation watches, Longines is again the choice. Since 1888, men and women of 77 countries seeking the utmost in a watch have chosen Longines. Priced \$40 to \$4000, Longines Watches are sold by authorized Longines jeweler agencies.

AT N. Y. WORLD'S FAIR
with the great
LONGINES WITNAUER
Time & Space Building
exhibiting the thrilling
spectacle, "Time and
Space," created by the
AMERICAN MUSEUM
of NATURAL HISTORY



LONGINES

The World's Most Honored Watch
WINNER OF 28 GOLD MEDALS
10 WORLD'S FAIR GRAND PRIZES

Graduation Club

IT APPEARS TO BE an established fact that thrift holds less interest for youngsters once they pass into high school age. Adolescence, of course, has some bearing on it. Yet, we find the same lack of effort to revamp thrift objectives to fit the changed viewpoints which adolescence definitely brings about. If this were more generally attempted, the picture would doubtlessly change.

One likely solution may be a Graduation Club as devised by Earl B. Munro, treasurer of the Medford Savings Bank (Massachusetts), at the request of the student council of the local high school. Practically all of the 1940 class promptly enrolled when the plan, similar to Christmas Club, was made available. Now the bank is considering methods of enrolling the entire student body. Speaking of the new club, Mr. Munro says: "It brings to the bank the younger element whom we wish to reach and I think it might well be very useful to other banks. It can be operated with a minimum amount of labor."

Future Farmers

THE OREGON BANKERS Association, under the leadership of secretary Hans C. Pfund, has done an outstanding job of organizing state-wide assistance of member banks to encourage various projects by young Future Farmers. The series of public speaking contests, initiated by the association last year, enrolled more than 900 boys to compete for \$300 in cash awards provided by member banks. Chapter and district contests were held throughout the state under the sponsorship of FFA district chapters and local banks, and the winner of the state finals addressed the association's annual convention. Efforts are now being made to extend the program and stimulate more active interest among state members.

Such a worthy undertaking deserves more than passing interest. Many of the lads taking honors in last season's contest have done and are doing a man's size job. (See pages 21 and 37 for a description of FFA work in another state.)

As Secretary Pfund points out in a recent bulletin to the membership: "With the continuation of such a program, we shall be able to cooperate in the future with farmers who not only know their problems, but who are prepared to present them in a comprehensive and intelligent manner."

The Oregon program sets a good example for the country. It is wisely preparing for the day when problems of the future generation and new farm conditions must be met by banks.

More 'On-Time' Calculations per Pay-Roll Dollar with MARCHANT



Unprecedented SILENT SPEED FACTS

Account ANALYSIS:
Given time to date, starting with avg. ledger balance, avg. float, MARCHANT gives you, in 4 SECONDS, avg. collected balance, avg. starting balance, and monthly earnings. ALL IN 15 SECONDS at most!

Asset EVALUATION:
Given 60-80,000 par 2% semi-annual coupon bonds bought Jan. 1, 1934 for \$7,165.00 and interest, yield 14%, maturing Dec. 31, 1943, MARCHANT gives you in 9 MINUTES—
Fractional Coupon, and a Schedule of Yield, Premium Amortization, and Book Value at each coupon date (Scientific Method). Time includes writing schedule.

Savings Interest, Accruals, etc. at similar Unprecedented Speed

MARCHANT CALCULATING MACHINE COMPANY
HOME OFFICE: OAKLAND, CALIFORNIA, U. S. A.
Sales Agencies and Manufacturer's Service Stations in all Principal Cities

Gentlemen:
You may send us MARCHANT BANK METHODS, without obligation. 84-93

Name _____

Address _____

City _____ State _____

METHODS—Continued

Car Card Coup

BUSINESS REPLY CARDS tacked to car cards are a new innovation recently introduced to the New York market by the Federation Bank & Trust Company. Tests in other sections of the country have proved successful. The bank finds every indication pointing to a healthy response, but it is too early for accurate analysis. The specimen card is double-size, with the stapled packets of cards face side up at one end, reversed at the other end. They are easily detached at the perforated

stub. Card copy outlines a few pertinent facts about the loan service and provides space for name, address and telephone number. Replies are followed up by phone. This idea probably recalls the small black enameled boxes with their stenciled "Take One" which used to decorate the trolleys and buses some years back.

Personnel

THE IMPORTANCE of an informed personnel is recognized by every institution as the first essential to good public relations. Yet, rarely does a bank feel such confidence in the entire staff to invite

the public to ask questions on service from any member. This is exactly what is being done by the Granite Trust Company of Quincy, Massachusetts. A pamphlet entitled *How We Can Serve You* carries a complete directory of available services, with brief descriptive text. The rear cover page lists directors, officers and associates—the entire working staff. An italic note at the bottom states: "Any member of our staff will welcome the opportunity to explain our services in greater detail or to answer any questions concerning the bank. Please feel free to call upon us." There seems to be something of psychological value here—the responsibility placed on each member prompts him to keep himself well posted.

Amateur Photography

A NUMBER OF BANKS have discovered a fertile field of contact among camera hobbyists, whose legions seem to have created a new art and a major industry overnight. One of the first institutions to encourage the aspiring amateur was the Montclair Trust Company of Montclair, New Jersey. The second Awards and Exhibit, sponsored recently, attracted 1,850 prints from 465 entrants representing 22 communities of the surrounding county. Widely publicized locally, the story was also carried in the news columns and rotogravure sections of metropolitan dailies. Well over a thousand visitors viewed the exhibit on the opening day, when awards were officially made by I. B. Grainger, president. Daily attendance continued at the rate of three or four hundred during exhibit week.

In addition to two classes of subject groupings, a junior class for youngsters of 15 and under and a special salon class for advanced amateurs were featured. Each separate group received three merchandise certificate awards. One print chosen by the judges from the entire exhibit as most typical of Montclair received a special award. "Winter Magic", snapped by 14-year-old Jay Farley, won both the junior class and grand prize.

Customer Relations

IT APPEARS TO BE A POPULAR PRACTICE of late for individual banks to invite outside business executives to address groups of officers at informal luncheon meetings. Some are staged in the bank's conference rooms or cafeteria at special hours. Reports indicate that this plan has a two-sided benefit—some working knowledge to be gleaned from the discussion, and particularly more

Supervising THE BOND PORTFOLIO

The supervision of the bond portfolio is a full-time job. Practical considerations, however, frequently make it necessary for banks of moderate size to delegate additional duties to their investment officers.

Our Investment Advisory Service was inaugurated a few years ago to assist correspondents in the solution of their investment problems. A large staff of analysts and statisticians is engaged exclusively in reviewing bond portfolios of correspondent banks and in answering specific inquiries pertaining either to general investment policy or to particular issues.

Financial institutions are cordially invited to avail themselves of this service.

MANUFACTURERS TRUST COMPANY

Investment Advisory Division

55 BROAD STREET, NEW YORK

Member Federal Reserve System

Member New York Clearing House Association

Member Federal Deposit Insurance Corporation

intimate relations with choice customers and prospects. Invariably officers find it easy to turn discussions into channels which give a better insight of the speaker's particular business and thus uncover cues which point to opportunities of better service. A glance down the best customer and prospect list will suggest a number of potential speakers. Some persuasion and tact will fill a worthwhile program.

A.B.A. Membership

WHILE the New York Regional Conference was in progress, an editorial appeared in the *American Banker*, New York, from which the following paragraphs are taken:

"Five years ago membership in the American Bankers Association was 62 per cent of the banks in the country. This year it is 77 per cent, the highest percentage on record, and judging by the interest displayed at recent meetings under Association sponsorship, of which the Regional Conference now under way at the Waldorf-Astoria in New York is typical, the percentage seems destined to go higher.

"It is hard to understand the motives which keep a bank out of the A.B.A. Perhaps for some it is a lingering feeling that the A.B.A. is an appurtenance of the larger banks. There may once have been reason for such a feeling. Today the criterion of A.B.A. activity is what can best be done to assist the smaller bank in the United States. These regional conferences, for instance, are not run for the larger banks. They are for the smaller banks, to give them an opportunity to share in the common fund of experience of other banks with the same problems as theirs. The most welcome letter at the American Bankers Association headquarters today is, we know, the one which suggests or asks for some service which may help one or more smaller banks.

"As long as this mutual interest exists, the rank and file of bankers in the United States can feel that the American Bankers Association is their Association. It can be expected to speak for them and act for them. But the interdependence is mutual. The more the membership supports the interest of the Association, the more the Association is mutually bound to advance the interests of the individual banks which are its members."

Banker-Farmer Honors

ALABAMA, Colorado, Idaho, Minnesota and Virginia, having attained the 1,000-point rating established by the Agricultural Commission of the American Bankers Association, now become eligible to join the Honor Roll in banker-farmer activities.

With the five new states added for accomplishments during the past year, there is a total of eighteen states that now belong to the honor roll.

To attain and maintain this high

record requires continuous effective team work between the members of the agricultural committees, the officers of the state bankers associations, the county key bankers, the agricultural extension forces of the colleges of agriculture, and the Agricultural Commission of the American Bankers Association.

Continuous honor records have been maintained by the thirteen states that have previously reached the goal. These are Oregon, Georgia, North Dakota,



Mapac River gets a Bridge

HIRE men, pitch camp, set up machinery and equipment! Ahead is fourteen months' work for Smith & Son—just awarded contract to build a bridge over the Mapac.

Actually, they can't turn over a spade until able to furnish the Contract Bond issued by a responsible surety company. This bond—required in practically all public construction—is the surety's promise to have the bridge completed to specifications, should Smith & Son fail to do so.

Bonding the performance of contractors is one underwriting function of the Sureties below. Recognized financial standing makes their bond a valuable asset in any contractor's list of qualifications.

PREVENT-
DO NOT
LAMENT
LOSS!

AMERICAN SURETY
COMPANY
NEW YORK CASUALTY
COMPANY

HOME OFFICES: NEW YORK

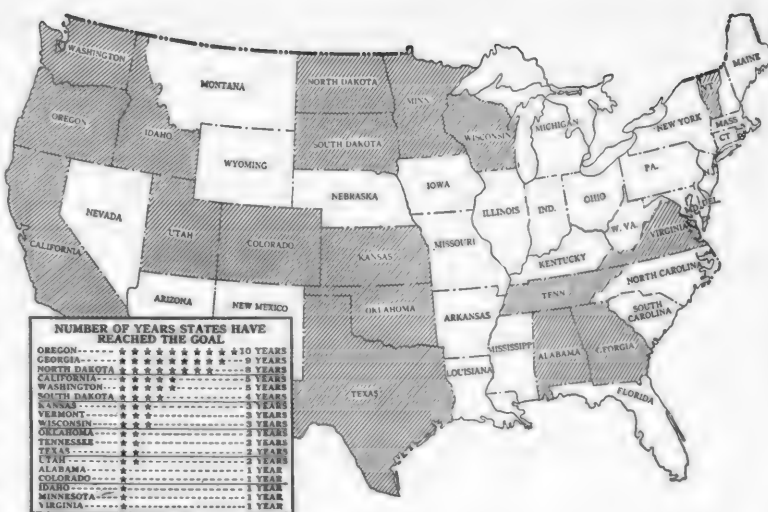
Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

California, Washington, South Dakota, Kansas, Vermont, Wisconsin, Oklahoma, Tennessee, Texas and Utah. The publicity given the first year the state makes the 1,000-point record has served as a stimulus to further activity and has developed a state pride in maintaining this record.

Oregon has made the goal of 1,000 points for ten consecutive years. The agricultural committee of the Oregon Bankers Association has not been content to rest on its oars but each year has reviewed its program and accomplishments, perfected both program and methods, and made renewed efforts to inform and interest all bankers of the state in its work.

During this past year a special effort was made to stimulate each bank to take part in some phase of the program and at the end of the year make a definite report on what had been accomplished. A summary of the reports for the past year indicates that these efforts have been successful.

An example of the aggressive manner in which the Oregon bankers are working was in evidence when Director Dan H. Otis of the Agricultural Commission of the American Bankers Association visited the state for his annual conference in February. The secretary of the



state association, Hans C. Pfund, in behalf of the agricultural committee, arranged for three large banker-farmer meetings in conjunction with three group bankers associations. In addition, arrangements were made for Director Otis to address the Rotary Club at Grants Pass, and to speak at a joint conference of the agricultural committee of the Portland Chamber of Commerce and the state association besides

speaking over the local radio station located at Oregon State College. During the three-day stay, aside from the radio audience, contacts were made with 312 people interested in the movement.

Other admirable records have been made by fifteen states. Several of these will be candidates for the honor roll a year hence. A list of these states with their records is given in the accompanying table.

OTHER HIGH RATING STATES IN 1938

State	Record
Wyoming	974.6
Kentucky	950
New Mexico	916.8
Montana	896.6
Nevada	894.4
Pennsylvania	889.4
Maine	806.8
Illinois	802.8
Mississippi	792.3
New York	773.2
Ohio	703.8
West Virginia	577.9
Maryland	596.6
Louisiana	556.5
Indiana	550.1

HIGHEST 11-YEAR AVERAGES

State	Average
Georgia	948.3
Oregon	938.5
North Dakota	844
Vermont	805.8
Washington	747.6
South Dakota	731.5
California	727.1
Utah	704.8
Kansas	704.6
Kentucky	679.1
Idaho	616
Wisconsin	601
Tennessee	553.6
New York	549.9
Minnesota	539.8
Nevada	525.1
Alabama	505.4

2 FAVORABLE CONTACT

Let your contact with Des Moines and Iowa be through a Bank that enjoys the confidence and good-will of leading business interests in the Middle West.

Iowa's Largest Bank, through 63 years of service and co-operation with business organizations and individuals, can prove of great usefulness to banks and corporations wishing to broaden and increase their activities in this territory.

IOWA-DES MOINES NATIONAL BANK & TRUST COMPANY

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DES MOINES • IOWA



Memo to Bankers:

This ad tells how air conditioning helps your customers secure more business.

P. S. Air Conditioning is a proved asset in banks, too!

A New, Inexpensive Way to Air Condition Your Stores with FRIGIDAIRE UNIT CONDITIONERS

Built and Backed by
**GENERAL
MOTORS**
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FOR '39



3 sizes of self-contained units from which to choose
...certified capacity ratings assure correct cooling

Now, General Motors provides *Self-contained* Unit Air Conditioners in three sizes to solve your air conditioning problem economically and efficiently. These Frigidaire Unit Air Conditioners may be used singly or in multiple. They may be concealed in closets, placed in the basement, or installed within the space to be air conditioned. In addition there are available Frigidaire Remote Unit Air Conditioners which can be suspended from the ceiling.

Gives These Year 'Round Advantages

In warm weather the Frigidaire Unit Air Conditioners cool, dehumidify, clean and circulate air. In cold weather, heat can be supplied by adding a simple coil and connecting it to the heating plant. In addition, the Conditioners will free the air of dust and dirt and will prevent air stratification year 'round.

Quickly Installed—Easily Moved

The Unit Air Conditioners can be quickly installed. In case of remodeling, they may be easily moved and re-installed in a new location.

Delco-Frigidaire Certified Capacity Ratings Assure Cooling Power You Pay For

Every Frigidaire Unit Air Conditioner carries a printed Certified Capacity Rating. This is your assurance of maximum cooling results, and proof that Frigidaire Unit Air Conditioners are inexpensive to own and to operate.

For your benefit the cumulative abilities of chain store air conditioning specialists are here combined with those of 200 trained engineers located at strategic points throughout the country. Every Delco-Frigidaire chain store recommendation is checked for accuracy of engineering and layout against accepted National standards. Get the complete details. Mail coupon now. Or, call your nearest Delco-Frigidaire dealer.

New Self-Contained Frigidaire Unit Air Conditioner

DELCO-FRIGIDAIRE
DIVISION GENERAL MOTORS SALES CORPORATION
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Unit Air Conditioners Portable Air Conditioners Commercial Air Conditioning
Burners, Stokers, Oil & Gas Boilers Oil & Gas Winter Conditioning Units

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General Motors Sales Corporation
Dayton, Ohio—B-4
☐ Please send representative
☐ Please send complete information about
Frigidaire Unit Air Conditioners

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Window posting machines for personal loan and mortgage accounts

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Straight listing machines for proof work

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WASHINGTON

★★ Treasury Bills

THE general understanding that Treasury bills are held mostly by metropolitan banks is not borne out by the facts of the situation. At the weekend nearest March 1, reporting member banks in New York held only \$108,000,000 of the \$1,300,000,000 bills then outstanding. Other banks, institutions and corporations have been going in for bills in recent months, with the result that the metropolitan banks have been unable to maintain their former position in this field.

Devaluation Profit

The paper profit obtained by the Bank of England through revaluation of its gold stock amounted to approximately £94,500,000, about \$443,250,000. It was used to redeem fiduciary circulation, and the securities back of this circulation were passed to the British Exchange Equalization Fund. Great Britain has passed over a good many financial bridges since the old days of sterling imperialism, but any one counting on British financial decadence will find himself mistaken.

Pension Costs

The extension of pension benefits to widows and children of World War veterans who have died of non-service connected injuries would cost \$39,000,000 a year by 1940. Nevertheless the history of pension legislation indicates that the additional expenditure will be undertaken in due course.

★★ Housing

Up to March 1 the United States Housing Authority had signed loan contracts with local housing authorities involving \$346,460,000 as 90 per cent of the cost of 70,024 family dwellings in 162 projects to house approximately 280,000 people now living in slums. Outstanding allotments up to that time represent a further \$303,503,000 of loans yet to be completed.

Military Expenditures

Seventy per cent of Japan's budget for next year goes for war expenditures.

★★ Uncertainty

Uncertainty in international matters is paralleled by uncertainty in domestic matters. There is as yet no program for

railway rehabilitation accepted by anything like a majority of either House, although every member of Congress realizes that some program must soon be adopted and that business recovery depends in large part upon such a program.

There is quite as much uncertainty with respect to amendments to the social security laws. The Administration has offered its suggestions which propose in a general way to widen and

increase old age benefits, but it is already evident that a change in the fundamental provisions of the present laws, especially in their financial features, will be demanded by a considerable portion of congressional membership. It also is evident that a contest is brewing between the faction which would limit the act to payments proposed in the present laws and the rather formidable following which, under the influence of the campaign favoring the

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Banks and Trust Companies
for
Directors Committees

CHICAGO

NEW YORK

WASHINGTON



ESTABLISHED MARCH 24, 1933

★
RESOURCES EXCEED
\$400,000,000

★
NATIONAL BANK
OF DETROIT

DETROIT, MICHIGAN

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Townsend or similar old age pension plans, would widen the scope of the present act and increase payments to be made under it.

More Uncertainty

There is quite as much uncertainty over relief and farm legislation. The number of national legislators who realize that both farm and relief laws to date have failed to solve any fundamental problems is constantly on the increase. Farmers themselves are dissatisfied with the present situation and, for the most part, with new remedies or palliatives proposed.

The political scandals over W.P.A. and other relief have aroused an increasing number of members of Congress to the dangers of the present system and, while few members are disposed to cut heavily into relief appropriations under present conditions, there is an increasing demand for a change in the method of affording relief, a demand for its decentralization, and demand for a limit upon it. The course followed by Congress in its appropriations for additional relief during the current fiscal year demonstrates that relief appropriations for next year will be made more sparingly and with more control retained in Congress itself.

★ ★ ★ Banks and Utilities

Banks should note that the S.E.C. has adopted much more stringent regulations governing bank ownership of voting securities of utility holding companies. Under the regulation which goes into effect the first of January, 1941, a bank which holds beneficially 10 per cent or more of such securities must refrain from voting for directors or upon any other matter of the utility or holding company unless it is the subject of a declaration or application filed with the Commission. It cannot make or renew loans or enter into any other financial transaction with the utility or the holding company or receive deposits from or act as corporate trustee or transfer agent for them, but all of these things may be done under permit from the S.E.C.

Home Mortgage Rates

The action of leading New York mutual savings banks in reducing the interest rate on home mortgages insured by the F.H.A. to $4\frac{1}{4}$ per cent was based upon the fact that this rate is the one at which some of the banks have been purchasing insured home mortgages from original lenders—that is, the effective rate after allowance for service charges, premiums and other factors. The announcement of the change in rate brings out the extent to which insured home mortgages are being handled in the manner of prime negotiable securities.

★ Collective Borrowing

The Farm Security Administration is pushing what is known as its "community service loan program", wherein groups of farmers join in obtaining a loan to buy equipment or services for group use. In this plan farmers are able to buy silage cutters, pure bred stock, cold storage plants, combines, tractors and the like for group use. Up to the beginning of the current year the F.S.A. had made loans of \$4,404,132 to 7,183 groups of farmers, few of whom would have been able to obtain equipment or other services or supplies of this sort through individual effort and with their individual resources. The plan is expected to develop rapidly in the course of the next few months.

★ ★ Labor

The demand for change in the Labor Relations Act represents a direct struggle between the two great branches of union labor as well as between labor and employers. It can hardly be expected that Congress can act promptly and intelligently in a matter which concerns

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labor but in which labor itself is divided, but a continuation of the present situation means a delay in business recovery which even labor itself cannot but appreciate.

There is little doubt that Congress will correct the more obvious injustices and faults of the present act but unless there is a better understanding among labor organizations it may go much further and end the controversy by abolishing the Labor Relations Board and prepare the way for a long and bitter struggle in the future.

★ ★ ★ Capital Loans

Three approaches to the matter of providing capital loans for small business enterprises are now before Congress. Senator Pepper of Florida has reintroduced the bill he offered in the last Congress to establish a chain of industrial intermediate credit banks. The Pepper measure provides for the organization of five such banks in five regional divisions which may later be increased to 12. Each of the banks would start business with a capital of \$100,000,000 to be subscribed by the Federal Treasury, though capital may also be subscribed by the public. The banks would be authorized to buy common or preferred stock or bonds of any business enterprise or any public agency, to rediscount paper for national or state banks acquired in the extension of similar credit, and to issue debentures to cover such financing. They would not have the power to accept deposits other than those incidental to other activities.

BUDGET DIRECTOR

Harold D. Smith, former budget director of Michigan, has been appointed Federal Director of the Budget by President Roosevelt



WIDE WORLD



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A second approach to the same object is offered by Senator Mead of New York and Representative Allen of Pennsylvania in bills to authorize individual banks or groups of banks to organize affiliates which would make long term loans to industry, financing themselves by the issue of debentures which would be guaranteed by the banks forming the affiliate.

The third approach is in a bill offered by Senator Mead providing for a Government insurance corporation which would insure industrial and business loans of the intermediate class along lines similar to the insurance of mort-

gage and modernization loans by the Federal Housing Administration. Senator Logan of Kentucky and Representatives Patman of Texas and Vorhis of California have similar bills in the hopper.

Private Placings

The most recent reviews of last year's corporate financing place the amount of securities sold by corporations in private deals at around \$650,000,000, while such flotations in the first two months of the current year aggregate over \$145,000,000, or considerably more than the total of publicly offered issues in the same period.

Delinquencies

Of the \$697,000,000 of municipal securities which the P.W.A. had acquired in its operations up to January 1 of the current year, only \$2,534,000 of principal and \$2,051,000 in interest were delinquent. The Administration reports that most of the delinquencies are merely deferments due in most cases to the fact that repayments of loans are to be made out of the earnings of projects when finally brought into operation. Private investors now hold approximately \$453,000,000 of these municipal securities.

Clearing the Decks

March refunding of the \$1,293,714,200 of Treasury notes due in June clears the decks for any new financing the Government may wish to do between now and next September, when \$426,554,600 of 1½ per cent notes will mature. A further lot of \$526,232,500 is due in December.

★ ★ Loans on Grain

Government lending agencies report that farmers have shown less disposition of late to call upon them for loans on corn, and the prospect is that corn held by the agencies under loans will probably not exceed 235,000,000 bushels instead of the 400,000,000 estimated at the beginning of the season, including old corn loans carried over. The latest reports indicate that Government loans on wheat cover approximately 66,000,000 bushels, some of the loans already having matured in mid-March.

One of the unsettling features of the market is the question of what disposition the Government will make of the grain it takes over, many grain men fearing the development of a situation in grains similar to that which has developed in cotton.

★ ★ F.H.A. Insurance

As a commentary upon the loan insurance principle it may be noted that Chairman John H. Fahey of the Home Loan Bank Board is opposing the proposed increase from \$3,000,000,000 to \$6,000,000,000 with the limit of loans which the Federal Housing Administration may insure on the ground that an abundance of mortgage loan money is now available in savings banks and savings and loan associations and there is no longer any occasion for the stimulation of mortgage lending by insuring the loans. Mr. Fahey contends that the present limit of \$3,000,000,000 will prove ample if the F.H.A. insurance of loans on existing buildings is stopped.



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This man didn't know that today shrewd insurance buyers have brought about a tremendous swing to mutual insurance. He was grateful to this representative because it saved him money to learn this and to learn the following facts about Lumbermens:

1. Lumbermens has paid dividends to policyholders each year for over a quarter of a century. Last year these dividends were more than \$4,700,000. This has meant average dividend savings to automobile policyholders since organization of more than 20%. Last year compensation policyholders saved from 15% to 25% while boiler, burglary and plate glass insurance and fidelity bond policyholders saved 25%.

2. These dividends are made possible by:
a. Lower expenses—10% to 15% is saved of every dollar you pay as com-

pared with most other casualty companies.

b. Lower losses—as much as 10% of your premiums are saved through Lumbermens careful selection of policyholders and its safety program.

3. Lumbermens has over \$34,000,000 in assets and net cash surplus of over \$4,500,000. On December 31, 1938, over 65% of all assets were in cash and U. S. Government Bonds. A complete list of all bonds and stocks owned appears in each statement published.

Your local Lumbermens representative will be glad to help you. He will give you all of the facts about the savings you can make while obtaining the security and service that Lumbermens offers.

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JAMES S. KEMPER, President

MUTUAL INSURANCE BUILDING, CHICAGO, U. S. A.

"The World's Greatest Automobile Mutual." Organized originally for lumbermen—now serving a representative cross section of American industry.

Back of the disagreement between the F.H.A. and the Home Loan Bank Board are criticisms. On the one hand it is contended that members of the Home Loan Bank system charge high rates of interest on their mortgage loans, which the Home Loan Bank Board has no power to control. On the other hand the Board contends that the loan insurance system has induced commercial banks to enter the home financing field in competition with savings banks and savings and loan associations to the serious detriment of these proper mortgage loan institutions. There is a movement in Congress to compromise by extending the limit of insured loans somewhat but to fix a limit on the time in which the insured loan system may continue to operate.

Foreign Trade

For 15 months up to last January the exports of the United States exceeded imports by an average of \$96,600,000 per month. The drop to a margin of only \$34,707,000 in January of this year may or may not mean that the United States is in for a period of better balance between its imports and exports, but it may be taken as certain that so great a margin of exports will, in the long run, lead to curtailment for the simple reason that other nations cannot pay for what they would otherwise buy.

★ Farm Mortgage Debt

The estimated farm mortgage debt in the United States on January 1, 1938, was \$7,082,156,000 as compared with \$7,254,821,000 a year previous and \$9,214,278,000 on January 1, 1930. Interest paid by the farmers on their mortgage debt averaged \$568,000,000 per year during the peak of the mortgage debt between 1926 and 1928, but it had fallen to \$372,000,000 in 1937 and is estimated at \$365,000,000 for 1938. The percentage decline in interest paid during the past ten years has been much greater than the decrease in the total debt.

★ Long Term Credit

The Farm Credit Administration estimates that the demand for long term agricultural credit during 1939 will probably show no material increase over that of the two previous years, although low interest rates may stimulate loans for the purchase or improvement of farms. Any marked improvement in general business conditions leading to better prices for farm prod-

ucts is expected to lead to an increase in loans for the purposes indicated.

National Bank Notes

There is still nearly \$200,000,000 of national bank notes in circulation. The average monthly retirement is around \$3,000,000. Doubtless a considerable portion of the notes outstanding is hoarded and a considerable portion is lost.

Mortgage Insurance

Banks interested in mortgage insurance should note that after July 1 no mortgages may be insured in the F.H.A.

system except: those which cover property which is approved for insurance prior to completion; property on which construction was commenced prior to January 1, 1937, and was completed prior to July 1, 1939; and property which was previously covered by an insured mortgage. In other words, mortgages covering old property cannot be insured after the date given.

New Jersey Readjustments

The suspension of one of the largest banks in the State of New Jersey has been followed in the past few weeks by

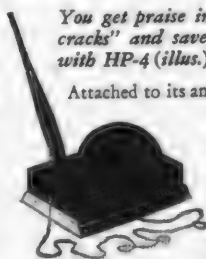
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You get praise instead of "wise cracks" and save money, too — with HP-4 (illus.) on lobby desks.

Attached to its anchored base by a 24" chain, to avoid lost pens and spilling. \$3.00 each.



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mergers, consolidations, sales of assets, loans by the F.D.I.C. and other readjustments involving 20 banks, forming, altogether, one of the most successful "clean ups" in recent banking history. Practically all depositors were promptly taken care of, all the remaining banks have been greatly strengthened, the financial atmosphere, long clouded by anticipated suspensions, has been cleared and all this has been accomplished without the slightest disturbance to banking in nearby states or indeed within the State of New Jersey itself.

Railway Legislation

The threat of a filibuster against any

comprehensive railway legislation at the present session of Congress indicates that relief for the railways will be impossible at this time unless there is a readjustment of freight rates in the southern states. There is much to be said for the readjustment demanded, although it would render the position of some of the railway systems more difficult than it now is. Regional difficulties, however, are only a part of the highly complicated subject of railway rehabilitation, which will never be brought about except on a national basis.

German Funding Bonds

The registration statement filed with

the S.E.C. by the German Conversion office, covering an issue of \$70,000,000 50-year 3 per cent bonds, to be issued to holders of German municipal and corporate bonds in lieu of interest, indicates that, unless the registration becomes effective and the arrangement is accepted, American bond holders will get no interest on defaulted interest. Another important feature is that the proposed arrangement covers Austrian municipal and corporate issues in default.

The hesitation shown by some bond holders to accept the arrangement seems to be based upon the idea that there is no certainty that Germany will keep its agreement once it has been accepted.

IN THE GREAT LAKES AREA

A correspondent bank relationship with Central National Bank assures fast handling of transit and collection items at Cleveland.

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We invite your business



CENTRAL NATIONAL BANK
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MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

★ ★ Bank Holding Companies

There is a disposition to hold over until next session Senator Carter Glass' measure to deal with bank holding companies. The Senator has his bill prepared subject only to possible minor changes which may become advisable after the S.E.C. hearing of the Transamerica case. Its introduction was held up pending the disposition of the latter case and, apparently, at the request of the Treasury Department. Further delay on account of the Transamerica litigation would not in itself justify further postponement, since the litigation bids fair to be drawn out indefinitely.

The current trend in both the Executive and Legislative branches of the Government, however, is in the direction of an easing of regulations of Business, and, so long as the Government moves toward the "right", sentiment in the Senate and in Congress generally seems to favor inaction on this and many other subjects.

★ Farm Homes

The agricultural bloc in Congress is now working for the establishment of a new Government unit to facilitate the construction of new farm homes similar to the work of the Federal Housing Administration. For a number of reasons the provisions in the amendments to the Housing Act passed by Congress last year designed to facilitate home construction on farms by insuring mortgages thereon have not been a success. Among these reasons is the difficulty of separating a farm home loan mortgage from an ordinary farm mortgage in handling the insurance features of the scheme.

Heard Along MAIN STREET

By Our Reporter, AL JOURNEY

M. E. HOLDERNESS, vice-president of the First National Bank in St. Louis, is president of the "Playgoers of St. Louis". This organization, a little over a year old, has already been instrumental in bringing many of the year's best plays to that city. Before the "Playgoers" was started, St. Louis theaters were dark except on rare occasions. Now the city is known as a good show town. Among the stars to appear in recent months are GEORGE M. COHAN, GERTRUDE LAWRENCE, ETHEL BARRYMORE, ALFRED LUNT and LYNN FONTANNE, and CORNELIA OTIS SKINNER. Several other cities are following St. Louis' lead and a renaissance of the theater is in prospect.

—P—

The KAUFFMAN family of Des Moines has credit for two unusual launchings during exceedingly critical times. First, in 1917, when B. FRANK KAUFFMAN organized and opened the Bankers Trust Company of Des Moines. Second, when his son RAY, during the depression, designed, helped build, success-



M. E. Holderness, vice-president, First National Bank in St. Louis, and president, Playgoers of St. Louis, with the actress, Miss Gertrude Lawrence at a luncheon in her honor in St. Louis in January

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Actual figures on the cost of noise are astounding! A large percentage of machine operators' errors—of typing mistakes—of employee absences, have been traced to noise! That's why hundreds of banks have turned to modern noise control—installed Acousti-Celotex* Fibre Tile.

Acousti-Celotex Perforated Fibre Tile hushes and smothers noise effectively and permanently and can be applied over your present ceilings at surprisingly low cost. Repeated painting and cleaning will not destroy its efficiency and it can be installed without interrupting normal routine.

Your local distributor of Celotex acoustical products will gladly make a noise survey of your bank without obligation—tell you the efficiency and money savings of acoustical treatment. Call him now. The Celotex Corporation, 919 N. Michigan Ave., Chicago, Ill.

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SAYS "Hush" TO NOISE



AND ACOUSTI-CELOTEX
IS PAINTABLE

fully launched and set sail for a trip around the world in the now famous 45 foot schooner, *The Hurricane*. Striking out from Florida, through the Caribbean Sea, thence through the Panama Canal, young KAUFFMAN and his mate, GERALD MEFFERD, made for Tahiti through the Pacific Ocean. Three years later, *The Hurricane* returned to port in Mobile, having sailed across the Atlantic from the west coast of Africa with a record of 3,800 miles in the log.

— P —

Unusual men have unusual hobbies. JAMES B. WARDEN, who, at 31 years of age, has recently been elected a vice-

president of the First National Bank at Pittsburgh, collects books on mountaineering. His collection of over 500 volumes includes most of the mountaineering classics and some rare collector's items. There are about 25 volumes on Mt. Everest. Mr. Warden recommends this hobby as a fascinating pastime to anyone interested in books or stories of exploration and adventure.

— P —

J. F. SARTORI, chairman of the board of the Security First National Bank of Los Angeles, is one of the few men who have headed a great business for over half a century. In the 50 years since the founding of the institution in February

1889 Mr. SARTORI has remained its head. Like many bankers, he, a graduate of Cornell College, Mt. Vernon, Iowa, and of the University of Michigan law school, began his career as a lawyer. At one time he declined an appointment as Assistant Secretary of the Treasury.

— P —

B. S. WELLMAN, vice-president, the Huntington National Bank of Columbus, and former president, Ohio Bankers Association, might have been a poet of the lighter vein had he not become a banker. His avocation is still writing verse. Recently when F.P.A. admitted over the radio that he wore the old-fashioned night shirt, Mr. Wellman, "inspired by the paucity of time-worthy literature on the comparative merits of pajamas and night shirts", dashed off "Robe de Nuit" from which the following lines are taken:

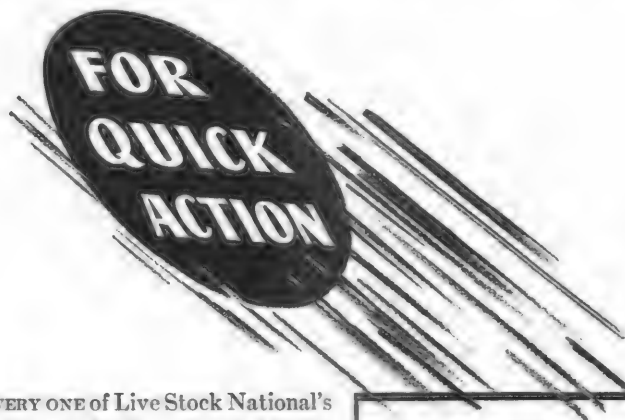
"But as for me, let it be said,
A shirt's the thing to wear in bed.
Caressing as a mother's arms,
It folds about and gently charms."

— P —

Miss OPAL SWEAZEA, advertising manager of the Mississippi Valley Trust Company, St. Louis, and her sister, AVA, are said to be the first feminine passengers ever to sail to Europe directly from Albany, New York. As guests of one of the bank's commercial customers, the two girls sailed for Europe as the only passengers on the ship.

MARITIME HOBBY

Ray Kauffman of Des Moines, who sailed around the world in *The Hurricane*. (See page 75)



EVERY ONE of Live Stock National's 71 years has been devoted to improvement of its service to American agriculture. Its transit department today is one of the most efficient anywhere. Each transaction is handled with a speed and accuracy nothing less than experience and time-tested methods (and equipment) can match. From the moment of its arrival in the Bank's quarters, every step in the handling of every item is scheduled to the minute — and *schedules are maintained*. Nearly 500 agricultural banks find that this means quicker, more efficient handling of their Chicago transit items. Reduced "float" and better service to *their* customers is the result. Perhaps to *yours*, too. Why not check into the facts and see?

Features of Live Stock National's Correspondent Service

No lost time — Only a stone's throw from distributing station where mail is delivered *directly* to and from all rail terminals.

Only bank inside Chicago's Stock Yards — Direct contacts maintained with packing houses, commission men, buyers, shippers and railroads.

Direct dealings with Senior Officers. No delays. Just quick action and real cooperation — from the top.

Time tested — *Oldest live stock bank in America.*

Live Stock
National Bank of Chicago
UNION STOCK YARDS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

H. C. DETWEILER, secretary, Quakertown (Pa.) Trust Company, was the first music and drawing teacher in Quakertown. When the trust company was organized, Mr. DETWEILER's artistic accomplishments had made him so well known that the organizers decided his popularity would be an asset. During the 35 years he has continued to serve the company he has maintained his active interest in music. He has been the singing leader of hundreds of meetings and also entertains with sketches.

— P —

EDMUND REARDON, oldest citizen of Cambridge, Massachusetts, and dean of active American bankers, recently celebrated his 102nd birthday. Mr. REARDON, who hasn't missed a directors meeting since 1891, is vice-president of the Union Savings Bank, Boston. He was formerly president of the institution.

— P —

Because he believed a college education would broaden his opportunities for success, JOHN REID, vice-president of the First National Bank of Cincinnati, resigned an \$1,800 position as assistant bank examiner to attend Boston University. While in college Mr. REID was known as the "perennial treasurer". His previous financial experience made his selection as treasurer of undergraduate organizations a natural one.

— P —

EUGENE P. GUM, secretary of the Oklahoma Bankers Association, indulges in a fascinating and unusual hobby—the collection of pieces of wood. Mr. GUM has gathered from all over the world many pieces that come from the homes of men who have made a place for themselves in history. He is now planning to reproduce in wood the great seal of the State of Oklahoma. The large star in the center of the seal will be made from wood from Will Rogers' home. The five points of the star represent the five civilized Indian tribes. The emblem of each tribe is in a point of the star and will be made from the most historic Indian woods. The 45 stars in the field around the big star, representing the 45 states that were in the Union at the time Oklahoma was admitted in 1907, will be made out of the most historic woods to be obtained from the different states represented. Other bits of wood from historic places may be put in the border to lend added value.

Needless to say, Mr. GUM is not only a collector but an expert craftsman, skilled in wood carving and cabinet work.

April 1939



St. Louis ☆ "The City Surrounded by the United States"

THIS IS the last of a series of advertisements in which we have called the attention of our banking friends to the advantages of the location of St. Louis. From the first settlement in 1764 to the present time, the strategic location of this city has played a dominant part in its development. Today it is one of the leading cities of the continent in commerce, industry and finance.

The central location of St. Louis has earned it the name of "The City Surrounded by the United States." At the gateway to the great south and southwest trade territory, it is a particularly important center for this vast commercial area. The advantage of the situation of St. Louis is a basic fact that will never change, and today, because of this location, the transit department of Mercantile-Commerce reaches practically all points of the country overnight.

MERCANTILE-COMMERCE

Bank and Trust Company

ST. LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

WILLIAM H. DRACH, assistant trust officer of the Western Bank & Trust Company, Cincinnati, Ohio, has for the past two years been the city handball champion.

— P —

NELSON E. LENGEMAN, vice-president and trust officer of the Union Trust Company of Rochester, N. Y., is probably the only banker who has also been a member of the state constabulary. Mr. LENGEMAN first entered the employ of the Union Trust Company in 1913. In 1917 he obtained a leave of absence to join the newly organized state troopers. He remained in active service until

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STANDARD OF QUALITY

William Exline
PASS BOOKS
AND POCKET
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Satisfactory with Bank Following Can
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TRACTORS and machinery such as Minneapolis-Moline offers, are as indispensable to the modern farmer as were his horses a few decades ago. But power machinery involves BUYING POWER, and on this point the dependable, credit-safe farmer merits the co-operation of dealer and banker.

Agriculture remains the root from which American prosperity grows, and only with modern equipment can the farmer make enough profit to insure that prosperity. . . . During the 1939 season, thousands of deserving farmers will be in the market for new MM machinery and Tractors. The helping hand of MM dealers and local bankers can make this purchasing possible. . . . The farmer's increased income rapidly translates itself into good times for both businessman and banker. Good farmers know how to make their investment in modern MM Tractors and Farm Machinery pay a profit.

We believe it will pay you to get better acquainted with your MM Dealer

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POWER IMPLEMENT COMPANY MINNEAPOLIS MINNESOTA

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★ Giant 21-passenger Flagships which you direct to the nation's major cities. Only American follows the famous nature-favored Southern All Year Route from coast to coast. Complimentary meals. Low fares. Save 10% on round trips. For reservations, phone your travel agent or the nearest office of American Airlines, Inc.

COAST TO COAST
Overnight



August 1918, when he enlisted in the Tank Corps.

Following the Armistice, Mr. LENGEMAN studied at the A.E.F. University at Beune, France, and subsequently returned to renew his association with the Union Trust Company.

In addition to his experience as a trooper and a soldier, Mr. LENGEMAN has been a noted athlete. In 1912 and 1913 he played professional football with the Rochester



Mr. Lengeman

Jeffersons in the National Football League. He is also a better than average golfer and bowler. He is president of the League O' Lakes groups of golf clubs and president of the Rochester Life Insurance Trust Council.

— P —

JOHN WALKER SPEARS, newly elected vice-president of the Canada Trust Company of London, Canada, was born in the seaport of Kirkcaldy, Scotland. His Presbyterian parents felt he was destined for the manse but young SPEARS, restless and ambitious like so many who live by the sea, wanted to make his own way in the world.

Feeling that opportunity of advancement was greater in the Colonies Mr. SPEAR turned to Canada. When, at 23 years of age, he applied to the Bank of Montreal for a position he was told he was too old. He did obtain a position with the Bank of British North America, which later merged with the Bank of Montreal. So at the age of 45 Mr. SPEARS found himself in a high executive position with the bank that had considered him "too old for a clerkship" at 23.

Mr. SPEARS has been actively associated with the Canada Trust Company since 1936.

— P —

JAMES H. PERKINS, chairman of the board of the National City Bank of New York and of the City Bank Farmers Trust Company, is making a tour of the National City's South American branches and will visit Brazil, Uruguay, Argentina, Chile, Peru, Ecuador, Colombia, Canal Zone and Panama. He is accompanied by Mrs. Perkins and Joseph H. Durrell, senior vice-president and manager of overseas units.

On March 14, Mr. Perkins and Mr. Durrell broadcast from Buenos Aires greetings to the annual banquet of the Quarter Century Club, composed of National City organization members who have served 25 years or more.



IT'S *Sound Business* TO CONTROL SOUND

Uncontrolled sound is a *disturber*. It bounces off hard-surfaced walls... dins against sensitive ear drums... steals the efficiency of your employes. Even so-called "usual" noises, you know, can materially reduce efficiency. That's why it's *sound business* to get rid of noise—once and for all—with Acoustone.*

Acoustone scientifically soaks up sound, much as a dry sponge soaks up water. Laboratory tests prove that Acoustone ranks among the leaders in sound-absorbing properties. In addition, you get outstanding beauty of appearance—for Acoustone, with its soft colors and travertine-like texture, is known as the most beautiful of the acoustical materials. You get greater safety from fire hazard—for Acoustone is incombustible. You get low maintenance—for Acoustone needs only occasional vacuum cleaning. And you get high light reflection to make seeing easier. Let us show you how Acoustone can increase office efficiency—decrease your costs. Write today for complete information and installation examples.

Acoustone is one of a full range of *USG* materials for sound control, fitting every need and pocketbook, and including Sabinite* Acoustical Plaster—Perfatone*—Quietone*—and the *USG* System of Sound Insulation. *Registered trade-marks

ACOUSTONE

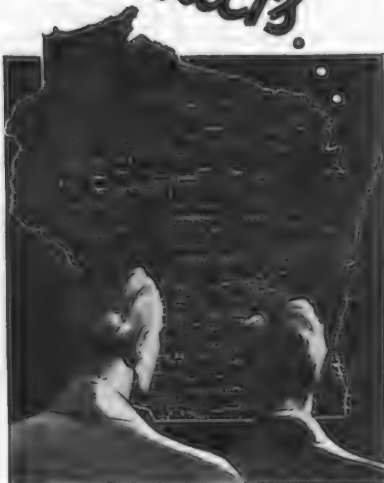
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High in Efficiency

B-4



UNITED STATES GYPSUM COMPANY
300 West Adams Street, Chicago, Illinois

State-wide Contacts.



As depository for 516 of the 594 banks in Wisconsin, the First Wisconsin National of Milwaukee maintains unparalleled correspondent contacts throughout this state — the practical basis for three major services:

1. The unique C-R-S Plan — Co-ordinated Regional Service — remarkably efficient "streamlined" service geared to the Wisconsin needs of national business corporations.
2. Utmost speed and economy in the collection of Wisconsin items.
3. First-hand knowledge of business facts (and business men) in every section of the rich Wisconsin market.



Experience with Tailor-Made Weather

BANKERS' opinions of air conditioning, gathered in a fact-finding expedition—by mail—to representative institutions using this equipment, are reported here in the belief that many banks will be interested in the experiences of others.

To 50 banks scattered throughout the country BANKING sent a letter asking three practical questions. One was whether any improvement had been noted in employee efficiency or health, or in customer satisfaction, as a result of the air conditioning investment. The second asked whether, if air conditioning was used in the safe deposit room, rentals had increased, and the third inquired whether competitive advantages had followed installation.

Of the banks replying—and most of them did—practically all agreed that employee efficiency had been increased. Many stated definitely that they had noticed an improvement in the staff's collective health, although some were doubtful on this point and others did not answer that part of the question. Customer satisfaction was generally reported.

There was almost unanimous agreement among the replying banks that air conditioning had not increased the rental of safe deposit boxes. Also, competitive advantage was mentioned infrequently, although some banks said other institutions in their cities had subsequently installed equipment.

One bank sent the results of a questionnaire, covering all its departments, on the efficiency, health and satisfaction of the employees, based on one year's experience with air conditioning. The composite return reported a 20 per cent decrease in noise, a 60 per cent increase in cleanliness, a 90 per cent jump in summertime comfort, a decrease of about 20 per cent in absences due to illness, and an efficiency improvement of 15 per cent.

Several banks which had air conditioned office space in their buildings commented on tenant satisfaction and one reported a marked rise in rentals after the improvement had been advertised.

But the story, of course, is in the replies themselves, and here are some excerpts from them:

We believe there has been a very definite improvement in working effi-

ciency, although the question of health is debatable. As to customer satisfaction, the advantages are obvious. Our entire customer quarters are air conditioned and this brings a very favorable reaction during the hot weather. We don't believe air conditioning is an important factor in getting new business. The value lies in the good will arising out of the added comfort.

It keeps the employees refreshed on warm afternoons and efficient all day. On days of intensive heat many employees prefer to remain indoors rather than go out for lunch, and continue their duties up to quitting time, with regret that it is necessary to go home. It is especially satisfactory to many of our customers. A possible drawback might be that it is such an aid to their comfort that they might be inclined to chat a little longer than is necessary. That can always be handled, however, by the employees without any discourtesy. We do not believe that any competitive advantages have accrued to us by reason of the installation.

Our employees are in no rush to leave the bank, as it is a pleasant place to work.

The air conditioning we use in our bank is limited to our safe deposit department, and, while we cannot definitely put our finger on results derived from the installation, we have had many of our safe deposit customers commend us very highly for this added feature.

We believe that the air conditioning increases the efficiency of our employees and feel that it has decreased the number of colds which our employees have during the Winter months. We are unable to ascertain that it has resulted in any competitive advantages.

We have checked with the personnel officer in connection with your question regarding improvement in employee efficiency and health. While he has not noticed any marked degree of change, it is believed that both health and efficiency have shown improvement, and there is no question about our customers' being much more satisfied. Our air conditioning was not put in as a competitive proposition, but primarily for the comfort of our customers and employees.

We installed air conditioning when the new building was built in 1922. Consequently we have used it for over 16 years and found it very satisfactory. One of the big advantages is the fact that we can close all the windows in the bank in the Summer and eliminate outside noises and dust, and also the danger of checks blowing out of the windows.

We realize that the next 10 years may bring about vast changes in operating efficiency, but at present the results, from the standpoint of employee and clientele satisfaction, are well worth the effort and expense.

The lobby of our bank, which includes the safe deposit vaults, has been air conditioned for 15 or 20 years, and during this period we feel that it has definitely served to improve employee efficiency and, I think, customer satisfaction. I doubt if there has been any increased use of our safe deposit facilities as a result of the air conditioning. I doubt very seriously if there is any competitive advantage resulting from air conditioning, other than from the standpoint of indicating an aggressiveness on the part of the management.

We have found in air conditioning a marked addition to the comfort both of our patrons and the members of our staff. We do not notice that it has had any material effect on the health or efficiency of our people. Neither do we consider that it has served in any way to increase our business or to give us in other ways any competitive advantage.

We have made no checkup to determine the effects it has had on the efficiency and health of our force; however, there is no doubt but that it has proved definitely beneficial. Furthermore, because all of our officers and employees are absolutely comfortable, even during the warmest days, it is our opinion that there is far less tendency to allow minor annoyances to create friction.

Our officers and employees appreciate the installation and find it very favorable to them in handling their duties with greater ease and comfort than before. We have also found the public very receptive.

Our employees are not as tired at the end of the day's work and we believe it has been pleasing to our customers. The plant was originally installed with the view of helping some of

our employees who have hay fever in the Summer, and we believe it has been beneficial to them.

There has been better efficiency, morale and general health among the employees since the installation.

Two years ago we equipped our bank with air conditioning, including all departments, and we believe there is no doubt but that it has improved the efficiency of our organization. As to health, we have had no definite circumstances which would indicate any direct effect. The customers, of course, have expressed a general satisfaction, but we

know of no case where the fact that our bank is air conditioned has made any difference as to patronage.

We have had a very satisfactory increase in safe deposit box rentals, but have no way of telling the extent to which the air conditioning should be credited for these results.

The primary benefit is to our employees, which was the principal purpose of its installation. It is our opinion that we do not obtain additional business due to the fact that the bank is air conditioned.

IN NEW ENGLAND

The National Shawmut Bank of Boston occupies a key position in the New England banking field. With correspondent banks located in nearly 250 communities in this important industrial area . . . our complete facilities are promptly available to handle every type of banking business.



THE NATIONAL Shawmut Bank

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Increase your Personal Loan volume through Our Personal Loan Life Insurance which *operates without cost to the bank* — and pays the note in the event of the borrower's death. We have always specialized exclusively in providing Personal Loan Insurance for Banks. Complete information upon request.

We Solicit Inquiries from Banks

The Credit Life Insurance Co.

HOME OFFICE

JOHN F. HOLLENBECK
President

Springfield, Ohio

ASK BANKING

PROFIT GOAL

● Is there any yardstick for measuring the profits that a bank should make?

TO BE of real value, such a yardstick should be one that is attainable yet sufficiently high to require working for. Yardsticks obtained from averages of many institutions must, of necessity, be nothing but a mixture of well managed, poorly managed and badly managed units, operating under vastly different conditions. As the object of using yardsticks is to build well managed units, such averages are of no practical value.

Sometimes a percentage of deposits is used as the gauge for desired profits. The difficulty with this method is the variation in deposit structure. Establishing a yardstick by the percentage of gross operating income that should be retained as net operating income is less subject to this objection. The term "operating income" excludes non-recurring income, extraneous expenses, bond profits, losses and recoveries. Many well managed banks are retaining from 35 per cent to 50 per cent as such net operating income.

This department is compiled for
BANKING by E. S. Woolley

In the building of such a yardstick the first step is to compute the percentage which each classification of regular income and expense bears to the gross income. Tables illustrating this step appear in the April 1937 issue of *BANKING*. Any deficiency of net operating income may be due to either a lack of gross income or an excess of expenses or both. Ascertaining all possible sources of bank income and comparing with present income may reveal some which are not being received. The percentages of expenses may reveal that some must be reduced in order that the "coat may be cut according to the cloth".

Even after the goal has been reached, it is necessary to prepare such tables periodically in order that the standard may be maintained. To retain 35 per cent to 50 per cent of its gross operating income as net operating income is not too high a goal for a bank to set. Out of this must come those losses which inevitably go with any large investment

of funds. There must also be provided out of such profits those reserves for contingencies, seen and unforeseen, which good bank management demands. These must be provided before the stockholders can receive the return on their funds to which they are entitled.

STATEMENT ANALYSIS

● How can I best undertake the study of financial statement analysis of individuals and corporations? I want to learn to analyze thoroughly.

ANALYZING means the breaking of things into their component parts, according to dictionary definitions. However, it really means much more than that. It means applying reason to the findings in order to correct wrong tendencies and substitute right ones. The best way to learn to analyze is—to analyze. As a suggestion the following books may prove of assistance: *Analyzing Financial Statements*, by Stephen Gilman, published by Ronald Press; *What the Figures Mean*, by Spencer B. Meredith, published by Financial Publishing Co.; and *Graphic Charts in Business* by Allan C. Haskell, published by Codex Book Co.

BOOKLETS

TAXES

INDIRECT Taxes Paid by Consumers. Northwestern National Life Insurance Company, Minneapolis, Minnesota.

A recent survey of 1,242 business concerns. Shows percentages of hidden taxes contained in purchases of different low-bracket income groups.

WINDOW CONDITIONING

WINDOW conditioning. Libbey-Owens-Ford Glass Company, Toledo, Ohio. Leaflet explaining advantages of window insulation.

INTEREST TABLES

EVEN-DOLLAR plan monthly pay loans. Levey Printing Company, Shield Press, Indianapolis, Indiana. Amortized loan payments in even dollars from 1 to 24 months.

AIR-CONDITIONING

ATMOSPHERE and Efficiency. York Ice Machinery Co., York, Pennsylvania.

Attractively prepared book showing profit possibilities to business users of air-conditioning

INSURANCE

BANKERS and brokers blanket bonds. 47 pp. National Surety Corporation, New York, N. Y.

Originally delivered as lectures by Henry Nichols, General Counsel, National Surety Corporation, as part of senior surety course of Insurance Institute of America.

BUSINESS interruption insurance. The Phoenix Insurance Company, Hartford, Connecticut.

Lists the various items that should

be covered in the commonly-called "use and occupancy" policies.

PAPER

THE PIONEER paper makers of Berkshire. Crane and Company, Inc., Dalton, Massachusetts.

Reminiscences of the paper industry in New England by a company which for over 50 years has supplied the U. S. Government with paper for its currency and securities.

TRUSTS

TRUSTEE'S Insurance Protection Against Surcharge for Investment Losses, by S. A. Coykendall, Jr., 90 John Street, New York, N. Y.

Presenting the need for insurance protection covering the "negligent acts, errors and omissions" of fiduciaries.

STOP LOSS

- How can losses on loans secured by marketable collateral be controlled?

ONE satisfactory way in which losses from such sources can be reduced to almost a vanishing point is by placing "stop loss orders" with the bank's brokers. If at the time the loan is made the borrower is informed that such stop loss orders are a definite policy of the bank, there can be no cause for complaint. It is also advisable to stress the fact that this "stop loss point" may be reached for only a few hours. Therefore the collateral may be sold without the knowledge of either the bank or the borrower. As a matter of fact, such a policy would have saved many borrowers as well as banks a great deal of money in the past. And it can do so in the future.

LIQUIDITY

- What is meant by the term "liquidity" as applied to bank assets?

THE liquid assets of a bank, as a going concern, are only those which can be converted into cash tomorrow morning *without having to sustain a loss*. If securities can be liquidated immediately only by sacrificing of part of their value they do not belong in a bank's liquidity statement. For example, under present market conditions no substantially large block of any series of "Other Bonds" could be offered without depressing that market. The liquidity statement of a bank, therefore, should consider only that portion of the portfolio which can be sold without such results.

The statements of going concerns and liquidating concerns are distinctly different. To use everything that could be liquidated fairly promptly for a liquidating concern as constituting the liquidity of a going concern is hardly consistent reasoning. This is particularly true because forced liquidation so frequently depresses prices below real values to an unpredictable amount.

OPPORTUNITY

- Are there career opportunities in banking today?

ACTUALLY opportunities in banking are greater now than they have been for years past. Many problems which have their bases in economics are crying for solution. Here is a challenge to the younger generation in the banking fraternity.

NOTE COSTS

- What is the procedure for finding the cost of handling notes?

By "cost of handling notes" is understood those costs which accrue alike to all notes whether they be drawn for \$10 or \$10,000. These costs are: salaries of the note tellers, portion of use and occupancy expenses applying to note cage, salaries for recording in liability ledger, note notice, supplies for note cage, depreciation of equipment used in note cage, etc. The sum of these expenses, divided by the number of notes issued as shown by the note register,

will give the cost per note. This cost does not include lending officers time, which is not susceptible to averaging for the reason that it might require 10 times as long to make a \$500 loan as a \$5,000 one.

An objection is sometimes made that much of the note teller's time is devoted to receiving payments. The payment of a note is part of the cost of handling it. If, however, partial payments are endorsed on notes to a greatly varying degree and it is desired to differentiate between costs of drawing, notifying, etc., it will be necessary to count the transactions, which will then be "weighted" and their costs apportioned.

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You hear much about coverage. But just what does coverage mean? The answer should be: Readers. And it is, when the medium is the Localnews Daily.

Localnews Dailies are not merely thumbed for a few hurried minutes, then idly tossed aside; they are read intently, thoroughly, and at leisure.

The reason is not far to seek. Localnews Dailies pack their columns with local stories. And the characters in these stories always have local names.

Never has any novel from "Tom Jones" to "Gone With the Wind" unfolded anything quite so engrossing as these little dramas of the Here and Now.

The Localnews Daily not only takes these stories into homes all over town; when it gets them there, they are eagerly read!

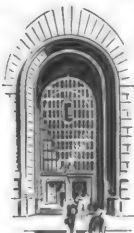
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LOCALNEWS

Dailies

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THE ROYAL BANK OF CANADA

HEAD OFFICE, MONTREAL

ASSETS OVER \$860,000,000

New York Agency, 68 William Street

Bankers as Teachers

BANKERS who talk to school classes often find that questions and answers provide the most effective way of telling young people about banking. Sometimes the speaker invites questions from his audience; again, he may use a set of prepared questions which he has the teacher ask him. An experience with each method has come to BANKING's attention and both are reported below.

Hal G. Vincent, cashier of the State Savings Bank, Otsego, Michigan, who has been speaking to high school pupils for some time, has formulated a set of 28 questions which he answers as they are put to him before the class by the teacher. Occasionally he varies this routine by asking the teacher to have the pupils write out three questions about banking. These queries are submitted to him in advance of his talk and he selects the best ones for classroom answering.


■ Here are Mr. Vincent's 28 prepared questions:

1. Are all business relations with banks strictly confidential?
2. What kind of a bank account should I have and what do I do to start one?
3. Do I make out my deposit slips or does the bank tend to that?
4. What is the proper way to make out a deposit ticket?
5. What are these "stubs" for in this checkbook?
6. Can I have a joint account? Are both signatures necessary on checks drawn?
7. What is meant by "uncollected funds?"
8. Now that I have a checking account, tell me how to write checks properly.
9. What is a certified check?
10. What is a cashier's check?
11. When I deposit a check on a bank in some other town, how do you collect it?
12. When I send my check to some other city, how can I be sure they get it?
13. What happens if I issue a check for more than I have in my account?
14. By opening an account I find that the bank collects for me all of the checks I have received from out of town people, that I am supplied with a pass book in which is recorded the deposits I make, that I receive a new pad of checks whenever I need one, that periodically the bank furnishes me with a printed statement of my account showing just what I have deposited and what I have drawn out, that the bank tends to procuring for me a receipt from each person to whom I issue a check. I know that it must cost the bank a great deal to maintain its fine building for my convenience, also that it has numerous expenses such as taxes, heat, salaries, burglary insurance premiums, office supplies and other expenses which must run into thousands of dollars each year. How can the bank

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120 WALL STREET, NEW YORK

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In Jamestown, N.Y.
THE SAMUELS
and
THE JAMESTOWN

Theodore De Witt, President
R. F. Marsh, Vice-President

*The Hotels that check with
every travel standard

afford to do these things for me and for other depositors without pay?

15. How does a savings account differ from a commercial? Are the pass books alike?
16. What protection do I have for my money? Is it any different than before?
17. How can the bank afford to pay me interest on my savings account?
18. I've heard that people borrow from banks on notes. What is a promissory note?
19. What if I can't pay my note on the date I expected and promised I would?
20. What is a collateral note? Real estate and chattel mortgage? Character loan?
21. What is meant by "endorsing" a check or note?
22. When a check or note is "protested", what does that mean?
23. Will the bank act as a collection agent for other people?
24. Suppose I want to travel, but do not want to carry a large sum of money with me?
25. How is the bank's vault constructed?
26. Are safety deposit boxes safe? What are they used for mostly?
27. Is the bank fully insured against robbery, burglary, fire, embezzlement, etc?
28. Are banks necessary?

It is interesting to note that Mr. Vincent has a dual program. The discussions of banking in the school room are followed by a trip to the bank where the young people are taken behind the scenes and shown the things they have heard talked about.

Spontaneous Questions

THE other experience of a banker speaking to young people is reported in *Over the President's Desk*, a publication of the Madison-Crawford National Bank of Chicago.

Edward C. Connor, credit manager of the bank, talked before a high school class. When he had finished his address, he invited questions which the bank's periodical reproduced, just as they were asked. Here they are:

Presuming that Mr. X is a clothing manufacturer and is not known by your bank, and wishes to negotiate a loan of \$25,000, what are the steps taken by a bank in order to arrive at a decision?

What is the procedure when I deposit a check to my account in your bank, if the check is drawn on another bank? Am I allowed to draw against this deposit immediately?

If a teller should find a precious coin such as a certain penny or quarter which coin collectors may be seeking, is he permitted to keep such a coin?

If I burn a piece of paper currency, have I any means of collecting?

What does a bank mean by overdraft? It is sometimes shown in the assets in a bank statement but is usually a very small amount compared to the total assets. My father said it is when a bank pays out money for a person who does not have enough in his account. Shouldn't this be a loss instead of an asset?

You mentioned agency reports. What value have they and do you have to pay for them?

What attitude does a bank take toward a man who has served a prison term and has reformed for the past ten years?

Why do they call the person who collects money and makes change in most business places a cashier and the same person in a bank is called a teller? What are the duties of a bank cashier, and is he an official?

In the recent election why was the empha-

sis placed upon the banking amendment relating to double stock liability?

Can you issue checks against a savings account?

What does a bank do with "phoney" money?

Who decides upon what picture or emblem is to be used on new coins such as the new Jefferson nickel?

Do all banks charge the same interest rate for loans? If not why should the bank charging the lower rate not be preferred?



THE OBJECTIVE of this organization has always been thorough distribution of its offerings among a broad clientele of investors. Through a widespread sales organization supplemented by well organized correspondence facilities, it seeks to make its services equally available to conservative investors wherever located, uninfluenced by size of funds.

CHICAGO, 201 SO. LA SALLE STREET • NEW YORK, 35 WALL STREET
AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. Inc.

THE TEXAS CORPORATION



146TH Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Corporation has been declared this day, payable on April 1, 1939, to stockholders of record as shown by the books of the corporation at the close of business on March 3, 1939. The stock transfer books will remain open.

C. E. WOODBRIDGE

February 17, 1939

Treasurer

Commercial CREDIT COMPANY, Baltimore

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FOUNDED in 1912, with \$300,000 capital, Commercial Credit Company is today one of the largest institutions of its kind. It operates through more than 4,000 employees in more than 200 offices in the United States and Canada, and is owned by more than 20,000 stockholders.

Bank Relations Dept.

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Incorporated 1848 Pawtucket, Rhode Island



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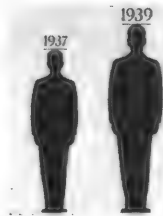
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BANKING'S DIGEST—APRIL 1939

A Nationwide Report of Outstanding Speeches

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Streamlined Banking Service

FRANK P. POWERS, President, Minnesota Bankers Association and President, Kanabec State Bank, Mora, Minnesota, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

ONE of the most important responsibilities confronting officers, directors and stockholders of banking institutions should be their insistent desire to bring about a better trained personnel within our institutions. If we are not yet conscious of that responsibility, time will bring us to the realization that time has been wasted in not taking advantage of programs that are being offered at the present time to better fit our personnel to combat the various competitive agencies that are now making and will continue to make inroads on our business.

The forming of A.I.B. study classes in rural communities, insisting upon our employees as well as officers participating in that activity, will make it possible to bring to the most remote banking community an educational program that will better fit our bank people to carry on the responsibilities delegated to them. With the proper inclination on the part of the employee, which should be encouraged by bank executives, there is offered the additional advantage of a program of higher education in banking through the facilities offered by The Graduate School of Banking at Rutgers. When we have within our banks the majority of our people well trained and educated in the business that they have chosen as their life's work, we have accomplished much in our approach of meeting public needs in banking. Our stockholders, directors, and employees should take advantage of every opportunity to speak to their acquaintances and friends of the services offered by the bank. They should become familiar in a general way with such services and be in position to defend the value of their bank to the community.

Accept every opportunity to bring to your town at a community gathering directors of farm cooperative institutions, members of the farm bureau, members of town boards, members of rural school boards and any other organization whose members are interested in the welfare of their communities, so that you may have an opportunity to become better acquainted and exemplify to them the desire of your institution to become of greater value.

Use every effort to bring to the attention of potential borrowers your willingness to take care of the loans in your community if they can possibly be made within your requirements. This will have a marked effect in counteracting misleading statements that banks are not willing to make loans. It is well to become interested in a program of instalment financing which, if properly handled, not only brings a recognized banking service to your community, but also means a substantial profit to your institution.

Cultivating a friendly feeling with your local newspaper publisher is an asset that is in too many cases overlooked by the banker.

Many financial leaders of the country predict that 1939 will prove to be a good business year, but whether that proves to be true or not, it behooves us bankers to streamline our business, so that we can give the kind of service that is necessary to meet competition in the various fields. There should be a closer working understanding between bankers in our various communities by creating more uniformity in service charges and in the payment of interest on deposits. This can best be accomplished through a closer coordinated program within the smallest organized units within your state associations; whether you call them county associations, clearinghouse associations, or any other name that you may choose to apply, they should be so organized as to create an interest on the part of the individual banker.

27th

ANNUAL REPORT

PREMIUM WRITINGS — Net premium writings during 1938 totaled \$40,587,541, as compared with \$41,234,762 in 1937, the decrease of 1.6 per cent being due to the fact that more than 60 per cent of the Company's premium income is based on industrial payrolls which declined sharply as a result of the recession.

Automobile insurance premiums totaled \$11,591,345, an increase of \$803,605 over 1937; and General Liability and Miscellaneous Casualty premiums totaled \$4,756,819, an increase of \$419,669.

LOSSES and EXPENSES including taxes, required 76.57 per cent of earned premiums in 1938, 77.22 per cent in 1937, and 79.28 per cent in 1936; and an average of 78.84 per cent during the past ten years.

DIVIDENDS paid and due policyholders on policies terminated during the year totaled \$7,961,612 and since organization in 1912, \$68,037,873.

ASSETS on December 31, 1938 totaled \$63,670,721, a gain during the year of \$8,511,190.

SURPLUS — After providing for all Losses and Expenses, Dividends to policyholders, Special Reserves for Dividends on Unexpired Policies and Investment Fluctuations and Other Contingencies, the General Surplus on December 31, 1938, including the Guaranty Fund of \$200,000, was \$9,378,078, an increase of \$1,204,742.

Liberty Mutual underwrites its business with care and works closely with policyholders to prevent losses; and controls expenses by dealing directly with policyholders and by operating under an effective budget plan. The result has been to maintain at all times a substantial excess of income over outgo; to record a steady increase in assets; and to provide insurance at cost to policyholders.


S. BRUCE BLACK

President

FINANCIAL STATEMENT

DECEMBER 31, 1938

Assets

Investments*	\$42,834,603.33
Home Office Building	2,205,529.76
Cash in Offices, Banks and Trust Companies	14,919,112.53
Premiums in Course of Collection (Net)	
— None over 90 days due	3,399,121.23
Interest Accrued and Reinsurance Recoverable	312,354.55
Total Admitted Assets	\$63,670,721.40

Liabilities

Reserves for:	
Losses	\$34,367,407.00
Unearned Premiums	9,987,707.00
Dividends on Expired Policies	864,108.66
Expenses, Taxes and Sundry Accounts Payable	1,723,420.43
Reserve for Dividends on Unexpired Policies	4,450,000.00
Reserve for Investment Fluctuations and Other Contingencies	2,900,000.00
General Surplus (Includes Guaranty Fund of \$200,000.00)	9,378,078.31
Total Liabilities, Reserves and Surplus	\$63,670,721.40

* Bonds which qualify for amortization under Insurance Department regulations are valued on an amortized basis, and all other bonds and all stocks are at December 31, 1938 market quotations. Home Office Building is at cost, less depreciation of \$36,031.24. Securities carried at \$2,896,456.48 in the above statement are deposited as required by law.

LIBERTY  MUTUAL
INSURANCE COMPANY

Home Office: 175 Berkeley Street, Boston

Branch offices in 77 Principal Cities from Coast to Coast

More Self-Reliance

PHILIP A. BENSON, President, American Bankers Association, before the NEW YORK CONFERENCE.

I NEED not tell you that there are still forces at work which threaten our banking system. Banks have often been charged with responsibility for the nation's economic ills. Even now there are bills pending before Congress which, if enacted, will transfer the function of extending credit from private hands to politically managed Government institutions to be created. While this is a threat to the business of private chartered banks, it is also a public danger, for it would tend to increase the public debt and would result in losses being borne by the taxpayer.

It is quite obvious that if there is to be genuine recovery capital must be reassured and must be willing to go to work in productive enterprises. Capital is the result of savings. If we are to have a fund of savings, each individual saver must be protected. If, through taxation, devaluation or repudiation his savings are jeopardized, the source of capital will be dried up. The real foundation for progress in this country is based upon production and savings. Perhaps we should stimulate savings among our people by more aggressive means than we have employed heretofore, by selling to them definite thrift programs that will encourage them to save more regularly.

Not only have assaults been made upon the credit policies of commercial banks but upon the philosophy of thrift itself. Savings are the background and backbone of all lending institutions, and on that ground we of the savings bank field and you of the commercial field have common cause.

If lending institutions are to survive they must increase their service to savers as well as borrowers, for only by virtue of the former can the latter be served.

The importance of thrift needs to be reemphasized. The public needs to know that the savings habit has made possible the advancement of man and that without savings the standard of living cannot be maintained, government cannot be sustained, and even charity and relief must disappear.

All the tools that have facilitated the work and multiplied the wealth of man have been made possible by somebody's savings. If man had not saved something of what he produced beyond his actual needs and put it to profitable use, the economic progress of the race would never have been achieved.

It needs to be reemphasized that neither individual security nor business enterprise nor government life can be maintained without saving.

As if this were not true, a philosophy is being preached today that would dissuade man from saving even for his own good. It would persuade him that instead of relying on his own initiative and his own preparations he should look to a beneficent government to provide against the uncertainties of his life and take care of his old age.

We are surely approaching the point where the ability of the Government to tax and to borrow unlimited funds for social purposes will come to an end. The public needs to know that neither this nor any other nation can survive if it operates on the theory that the mass of the people can take care of everybody and that the individual need no longer look out for himself. There is a crying need for more self-reliance and better self-management.

Just as the saver has made our civilization possible by his savings, so have our banks made it possible as the agents of the thrifty. The American banking system has made a mighty contribution to the development of America. This continent was conquered and developed with the assistance of the American community bank. Whenever a new community grew up a bank was organized to gather together its surplus funds and employ them in the further development of the community and its enterprises. For the most part these banks have always remained locally owned and have been interested primarily in local development.

This has been the most distinguishing characteristic of the American banking system, in contrast with foreign banking systems which have been dominated by branch banking controlled from the financial center.

News and Advertising

NEWSPAPER publicity should not be sought for the purposes of obtaining free advertising. While advertising and publicity have much in common, we should not confuse one with the other. Each seeks to bring about a knowledge of and a confidence in the facilities that we have to offer to the public, in the hope that they will be used more extensively. Each supplements the other, but neither constitutes nor should be used as a substitute. We must remember that our sales appeal belongs in our advertising copy and has no place in the news stories or informative articles that we should send to the editorial rooms.

The institution that expects to make the reading columns with its news stories must first make news. The news value of what a bank does and what it says bears a direct relationship to how well it is known. To be well known it must be well advertised. For this reason, we should never overlook the necessity for a liberal appropriation in our budget for newspaper advertising. We should also remember that definitely greater value may attach to an unscheduled

advertisement that is happily timed with a favorable news story.

We must avoid even the appearance of seeking access to the news columns merely because we may make extensive use of paid space. Substantial advertising expenditures gives us no right to expect, much less to demand, the publication of news which is easily recognized by the editor as a press agent's "plug."

We should never ask an editor to suppress any news. His job is to get news and print it. If a story looks bad, give him the facts and ask his friendly cooperation. But be sure to give him all the facts. The full truth is always less harmful than part truths.

If our position is at all tenable, the story that he writes will be far less damaging if we give him the complete story than it may be if he has to go to the other side to develop the part that we withheld from him.—JAMES E. MCGUIGAN, Vice-president and Trust Officer, Bank of America, N.T. & S.A., Los Angeles.

Out of the Dog House

W. RANDOLPH BURGESS, Vice-chairman, National City Bank of New York, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

IF there is a financial key to recovery it is in the field of capital, not of credit; of investments, not of loans. Where is the deficiency of production today; where is the core of unemployment? There is no doubt about the answer; it is in the field of durable goods. It is the workers in construction and the other durable goods industries who are unemployed, and if you add to them the workers in service occupations and production of consumers' goods dependent on the buying power of the durable goods workers, the country's present unemployment is largely explained.

Durable goods activities represent investment, the willingness and capacity of people and particularly business to invest. There are three great sources for investment; private savings, business saving, and the investment markets which convert private and institutional saving into business investment. All three of these avenues have been badly clogged. Private savings are currently largely absorbed by taxation and the fulfillment of previous commitments such as the maintenance of real estate. Business has been steadily using up its capital; in only two years since 1931 has it shown any substantial profits available for investment, and in those years, 1936 and 1937, the undistributed profits tax forced the distribution of much of the earnings. The investment markets have not been open for any substantial amount of equity financing in any year since 1930.

The fact is investment has been in the dog house. Of course the reason is that investment behaved so badly in the late twenties. Over-investment at that time created surpluses in the supply of many durable goods, apartments, office buildings, power plants, and probably some types of productive capacity. But, even more important, the excesses of speculation in the investment markets incurred the resentment of the American people, which was fully reflected in political action. There is no need to list the many forms of restriction placed on investment, from taxation to punitive restrictions. Investment was put in the dog house and kept there. And that is a major reason why our recovery from depression has been so slow.

CHANGING OPINION

BUT the tide of opinion has been gradually changing. The need for new investment has slowly forced itself upon us. Now comes the official announcement that investment is going to be let out of the dog house. Mr. Hopkins says:

"It is clear to me that returning increase in production cannot be accomplished without a substantial increase in private investment. I have tried to indicate tonight that the Government is desirous of doing everything it can to create an environment in which private investment is encouraged."

How do the banks enter this picture? The banks hold one of the largest available pools of funds. They have been for years increasingly heavy investors in bonds and in mortgages. They have been moreover marginal investors, especially the commercial banks. The life insurance companies and the savings banks are steadier investors with relatively constant amounts to be invested year after year. But the commercial banks have been heavy investors in some years when they had money and not only failed to invest but even

were sellers in other years when business used more money. This movement in and out has always been a powerful influence in the investment market.

But it should be recognized at once that the banks cannot supply from their pool of funds the kind of financing which is most necessary for full recovery. Banks can buy prime bonds and mortgages, but under the law they cannot buy stocks or second grade bonds. Yet for new enterprise risk money is essential and risk money can come only from private sources, from corporate earnings, or from the sale of stocks and second grade bonds.

PARTNERS, NOT CREDITORS

AMERICAN business has so vividly before it the example of the railroads, which financed too largely with bonds, that it shrinks from financing new ventures with borrowed money. It desires partners, not creditors. The recovery we want needs the kind of stock market on which new venture securities can be sold. More people must be willing and able to take risks and must be encouraged to do so. The difficulty we face is that this involves a reversal of political attitude which took its present form by reason of the excesses of the late 20's. It was the taking of business risks, speculation if you will, that gave this country its splendid growth. It is the absence of risk-taking that accounts today for our continued depression.

There is general agreement that this type of financing is not proper business for a bank and the law forbids it. It is a job for private money and for business savings. Does this absolve the banks from all responsibility for the financing of recovery? I think not. For the various sections of the security markets are mutually interdependent. A good high grade bond market encourages a good market for other securities. Moreover, as business increases its equity capital it may also safely increase its bonded debt. While the financing of new enterprise depends in the first instance on risk money, new bond issues will be part of the program.

The question, therefore, to raise is whether it is not proper for the banks to invest in high grade corporate bonds some substantial amount of their excess reserves over the next few years? Is not that the principal direction in which to look for increased earnings and increased service to the community, subject of course to qualifications as to the character and conditions of deposits.

If I ask you this question, you are entitled to ask several questions in return, and some of these would be:

1. Are not present bond prices dangerously high?
2. Do not conditions in specific industries such as the utilities, the railroads, involve too great risk even with the best bonds?
3. What will be the attitude of the bank examiner?

These seem to me fair questions to which the banks are entitled to some answer before they engage in any extensive buying program. They are all questions the answers to which lie mainly in the field of government, because the conditions giving rise to apprehension in the bankers' minds were largely created by government. Easy money has been a definite Government policy; the risk of the utilities lies in Government competition; the railroads have been more closely under Government supervision than any other business in the country; bank examination is a Government function. On the first two of these questions I propose to stop at the question mark. On the third I want to say a few words.

Just as the commercial bank today was built for a lending business and finds itself doing an investment business without very much special training and organization for the purpose, so the bank examination organization was designed to supervise lending and is badly organized to supervise investing. Some of the weaknesses of the machinery were revealed in the recent depression, when the policies in dealing with bond depreciation were confused and uncertain. Millions of dollars of bonds with good recovery possibilities were dumped on the market at sacrifice prices on the basis of examiners' criticisms and in the course of liquidation of closed banks. That sort of action carries a heavy responsibility for the unprecedented depth of the depression in the country and its long continuance. For recovery depended on investment and that dumping of bonds played havoc with the investment markets and made many good bonds fluctuate like common stocks. This is no criticism of the examiners but of the mechanism they were called upon to operate.

Two important steps have been taken to prevent the recurrence of this sort of difficulty and to give banks greater confidence in their investments. One is the understanding reached last year by the various Federal examining authorities with respect to their treatment of bond portfolios, and the other the permanent broadening of the eligibility provisions of the Federal Reserve Act. These steps recognize at length that the banks of the country do an investment as well as a lending business which is just as important for the prosperity and well being of the people of the country as the making of commercial loans. This is only a beginning and not a solution of the problem of modernizing the machinery of bank examination.

The matter has been outlined with unusual clarity in the recently issued annual report of the Board of Governors of the Federal Reserve System, which is deserving of the attention of all of us, and especially of our legislative bodies.

Earnings by Departments

JOHN J. DRISCOLL, JR., of Driscoll, Millet and Company, Philadelphia, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

BANKS in practically all cases gather together in one group of figures the various items of income, items of expense and interest paid, and arrive at one figure for a net operating profit. This is then compared with prior periods or with general averages of other banks, and from it conclusions are drawn as to the formulation of policies, the correction of undesirable or weak situations, and the development of better plans of control. This, we feel, is too broad a comparison to permit an intelligent portrayal of the many different things that can happen in banking and about which we should have knowledge if our earnings are to be fostered and properly controlled.

Such a method of comparison is comparable to that of the grocer who handled both groceries and meats. At the end of the year he compared his bank balance with the previous year and if it increased, he said the grocery and meat business were good, while if it decreased, he said both the grocery and meat business were bad. Possibly groceries might have been good throughout this whole time and meats might have been the cause of the change.

Now, this grocer awoke one day to find himself heir to a quarter of a million dollars in securities that paid him a return of 3 per cent. These securities he placed in a safe deposit box and quarterly clipped his coupons and deposited them in his account with the receipts from the grocery and meat

business, in all placing \$7,500 in the account from this source during the year.

At the end of the year when his account showed an increase in its balance, was he justified in saying that either the grocery or the meat business was good, or definitely forming policies until he determined how much of his profit came from groceries, how much from meats, and how much from bonds? This, we think, is analogous to a bank's attempt to gauge its accomplishments and base its policies by comparisons or study of one figure which reflects the result of the operations of many departments.

Accordingly, it is necessary for banks to know specifically what their net profit or loss is department by department, if they are to really control their earning power. Any bank may have one or more departments that are strong. The remainder may be weak, but as a whole they may produce an average profit. Until the sources of earnings by departments are known, it may never be fully realized that there are weak departments that are a drag on earnings, and policies may be adopted accentuating their weaknesses because of the lack of information which would clearly show the need for different policies in these cases.

Banks must predicate operations on facts to operate with better than average success. Many banks attach considerable importance to the fact that their earnings compare favorably with the average of other banks. Average, as a rule, may be said to be a god with feet of clay. The average consists of many weak, some fair and a few good banks. Accordingly, a bank to be fair or good must be better than the average.

Supervisors and Supervised

THE supervisory authorities do not conceive their responsibility with respect to trust operations as including detailed investigation and direction to the extent that they may be charged with attempting to take the operation of your several departments out of your hands, nor as usurping or substituting for the legislative powers of the several states and the supervisory functions of the courts.

They do feel, however, that their efforts should contribute

effectively toward the maintenance of the high standards of corporate trust service, and realize that their procedure must be sufficiently comprehensive to accomplish this purpose and flexible enough to achieve a degree of uniformity with respect to examination of old and new, large and small, trust departments with experienced and inexperienced management.—LEO H. PAULGER, Chief Examiner, Federal Reserve System.

Private Capital Financing

HECTOR PRUD'HOMME, Vice-president, Hartford-Connecticut Trust Company, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

IT seems to me that bankers in different parts of the country are so far from unanimity on the question "Should banks buy corporate bonds?", that, rather than state a rule, the more intelligent step is for us to continue hammering at the base of the problem.

Are we buying corporates to sweeten the income, that is, for a worthwhile difference over the yield on Governments? Junior grade bonds, in a period when there is real pressure of investible funds on the market, tend to be sucked up in price in sympathy with the high grades. It is said that the banks have become investment trusts, but we are restricted, as banks, by the fact that we are not in a good position to carry bonds through cycles of wide market fluctuations. This is a handicap in the game of trying to achieve consistent rates of return higher than going money rates.

On the other hand, is it possible that the banking system has so changed that it would be logical now to commit ourselves more to direct investment in industry and to put somewhat less emphasis on liquidity? Purely from the standpoint of the record, the time to have been liquid was in the 1920's, the time to have been fully invested was in the past five years.

When we talk about investment liquidity, what is the liquidity for? Is it the liquidity of investments which may have to be converted to meet either long term or seasonal changes in loans and deposits, or do we mean liquidity so that we can turn around and get out of the market in a hurry when it looks weak?

Just a moment on that question. If we are planning to get out of the market when it turns down, for all practical purposes we must expect to sell these bonds to each other. And in the latter event, just what is the liquidity even of the Government bond market? The difficulties of such a proceeding showed themselves briefly in March 1937.

Is it because we hold too many Government bonds that we are interested in going into corporate issues on about the same yield basis? Are we, in other words, still pursuing the notion that we should diversify the portfolio so as not to be

entirely in bonds of the Government? As a practical matter, barring some cataclysm which would result in the collapse of Government credit, there can be no credit risk in Government bonds that would be greater than the credit risk in corporation bonds.

In the constant debate with ourselves when we are trying to decide whether to put new money into governments or to have a try at finding corporate issues, there is a question outside the practical banking field to which we may or may not give the attention it deserves, and with which I should like to close. I would put it like this, that when the private banking system makes a decision to invest more or less of its investment funds in corporation issues the decision may have repercussions on the economic position of the country. If, instead, the banking system elects to invest those funds in Government issues the money is likely to be put to different uses than if it were borrowed by private business men and corporations.

As a practical matter I think we buy bonds on the basis of security, liquidity and yield, essentially in terms of what those things mean to our depositors and stockholders. I do not think, for example, that in New England we buy governments for purposes of national policy; and whatever long range philosophy we might think of pursuing along the lines of favoring one type of borrowing as against another, the question will inevitably tend to decide itself by what we can buy of desirable quality at the best rates. But there is involved in this question a factor which has an important bearing on the economics, and in its best sense one could say the politics, of the country. It is not only the rate, or liquidity, or the earning or taxing power of the issuer as such which governs the ultimate soundness of investments, but in the end it is the place where the money will be most fruitfully employed that is likely to provide the soundest investments, not only for the country but for ourselves in particular.

If the desirable course for the private banking system were to assist in the capital financing of business by private capital instead of by the Government, directing the flow of at least part of depositors' funds directly to industry, then I think I could make a case for the proposition that the banks should continue their efforts to place part of their funds in corporate bonds, rather than through the Government bond market.

The West's Next Capital

NICHOLAS MURRAY BUTLER before the PILGRIMS OF THE UNITED STATES, as President.

THERE is every sign that the capital of Western civilization may cross the Atlantic [from London] and find itself in another generation or two on the shores of this new land, so to speak, because that land has in its power the intelligence and moral courage to make itself the outstanding exemplar of those policies of liberty, of progress and of human service which alone can save and develop our civilization.

And if that center of intellectual inspiration shall cross the Atlantic to what point will it come? It may be that this new capital of thought and inspiration and guidance may find itself on the island of Manhattan. Why? Because, while not the seat of government, there is concentrated here and has been for 160 years the nation's greatest power of constructive and guiding thought and of social and economic activity and inspiration.

And if this capital should cross the Atlantic, if it should come to the island of Manhattan, what an obligation and opportunity will rest upon us, our children and our grandchildren! What guidance we will be called upon to give is written out in the 461 immortal words which constitute the Bill of Rights of the Federal Constitution. We need not add to them or amend them. They are the Magna Charta of the 20th Century.

A Field Worth Developing

JOSEPH M. DODGE, President, The Detroit Bank, before the AMERICAN BANKERS ASSOCIATION COLUMBUS CONFERENCE.

THE highly specialized job of appraising is more important to the banking business than is generally credited. Whatever the appraiser says is sure to look all right for a while. It may even help make loans. But it is how well he judges the situation *now* for the *future* that controls the collection cost and possible loss five or ten years from now.

He is always judging not only today's values but values at loan maturity, and perhaps that will be in a depressed market. He is judging the future usability of the property, whether its improvements are in keeping with the district, and what the district changes will be over a long period of time.

He is the man who will or will not keep banks from overvaluing land, letting it be too large a per cent of total valuation, capitalizing abnormal income into an indefinite loan future, lending on old homes as potential apartment sites or large loans on single family residences and other similar common errors of the past. That is, he will, if he knows his business and is allowed to function. But competition steps in and the appraiser is overruled. First interest rates are cut, then appraisals are liberalized, and one by one all of the defenses are laid aside or weakened by a steadily increasing volume of exceptions.

What the appraiser says about property values, to be useful, should be entirely divorced from the amount of the loan asked for and who the customer is. In fact he functions better if he does not know. Whatever he gives as value and recommends as a suitable loan ought to be final. If it is subject to review or any adjustment, there should be many high hurdles to jump. Any change for sound and specific reasons should require his concurrence.

After the accurate determination of present values, the most important part of appraising lies in relating them to past and future. What values are normal? What values are sound? What values are substantially permanent? A home too costly for its neighborhood—or a home with special or extravagant features of luxury built into it—has a present value in the sense that money is being spent on it now, but this does not add to the actual loan value or sale value five or ten years from now. Costs do not constitute property values. The value of costs may be lessened by inferior construction or increased by superior construction. This is the reason the appraiser should be particularly concerned with material and workmanship, and bank lenders should do their

Mortgage Groundwork

LET me suggest that there has been entirely too little of the right kind of information prepared and used by bank real estate appraisers and lenders. There has been too little care taken in laying the technical groundwork of the mortgage lending policies and procedures and relating them to the general background of fundamental real estate conditions. Here is a field of bank operation worth developing. A little money spent on it will produce worthwhile returns. The real estate lending officers and appraisers will be more than willing because it helps their work. Most of them have had little encouragement and help toward a recognition of the importance of their work and in developing a really constructive, up-to-the-minute, and completely effective lending operation.—MR. DODGE.

part in discouraging cheap and shoddy construction. The tendency to overlook this responsibility can usually be traced to the fact that the appraiser or lending officer is constantly in touch with optimistic builders or real estate agents, who, for their own purposes, are naturally most interested in making everything appear at its best.

Judgment of values in real estate depends upon information. There is careful property examination and a neighborhood analysis to make. There is the matter of where we stand in relation to building costs and volume of new building, and what has been happening to real estate prices. These factors are not only dominant factors in judging the real property values back of the loan, but they suggest the time when loan values should be reduced and the bank defended against the usual practice of giving more and more liberal appraisals at just the wrong time.

We give a great deal of time to analyzing loan credits and security investments. We examine histories, prepare analyses, make reports and extensive checkings against similar securities and credits, and we watch them and watch their underlying markets closely. When a comparison is made between the usual approach to these investments and the information background of the average appraisal and the supervision of a mortgage loan after it is made, the mortgage looks like a rather off-hand transaction, which it certainly should not be.

They're Still Sound Investments

CHARLES F. ELLERY, Vice-president, Fidelity Union Trust Company, Newark, New Jersey, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

TO sum the situation up as to real estate mortgages, appraisals and values from a commercial bank's viewpoint, it is my firm belief that, despite many vicissitudes and some troublesome things, real estate mortgages are still a profitable form of investment and a good type of credit to extend.

First mortgages, which are made on the basis of sound and

conservative appraisals, secured against properties of the right types and in the right locations, and further, made under a well-thought out plan of investment, according to the bank's requirements, are still sound investments for banks.

By following sound practice in making loans and by putting the management of the mortgages in the hands of well-qualified personnel sufficient in number to do the right kind of a job, and with the mortgages made on the basis of quarterly interest and amortization payments, banks will find that losses in these investments will be relatively small.

Debt-Conscious Management

J. HARVIE WILKINSON, JR., Vice-president, State-Planters Bank & Trust Company, Richmond, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

BOOMS often come from the creation of excessive debt. I believe in making corporation managements debt-conscious and I think if this were done that too fast expansion in our industrial picture would not take place with the same ease that it has in the past.

It was interesting, I think, that when the SEC first began to function in relationship to the Public Utility Holding Company Act so far as utility financing went, it frequently compelled the utilities to issue a mortgage bond in an amount which seemed conservative in relationship to property value and then to issue serial debentures or a debenture with a moderate term maturity and a substantial sinking fund. The idea seems to have caught hold and is being applied in many instances of which you and I know.

This seems to me very constructive. It enables the banking system to have additional securities to which it can turn in an effort to work out the philosophy of spaced maturities. It anticipates the day when the growth curve of utility consumption turns downward and it tends to make the utility companies less vulnerable to the ossification of age, such as

has in many instances overtaken our railroad companies. Furthermore, it makes the managements debt-conscious.

It is no service to the American economy to let corporation managements and the investment banking fraternity unwittingly and unconsciously, perhaps, twist the commercial banking structure into a tortuous pretzel shape, in which unhappy condition it loses its power of elasticity and its power of flexibility so vital and so essential towards functioning in times of stress.

I am not arguing against the banking system's absorbing some long term bonds; far from it. I think we can absorb some, but what is most important to me is that we should have a pattern and that the individual issues should fit that pattern or not be purchased at all.

If I am correct, it appears that there is need for the setting up of some liaison between the A.B.A. and the I.B.A. It further seems that it calls for the commercial banking structure of the country to use all the power of its influence to have the corporate financing of this country done with some purpose in view other than removing from the minds of corporation officials the existence of debt until 27 years from now or within three years of a bond maturity. At least some part of virtually every issue could be made a serial maturity or be possessed of a substantial sinking fund.

Part Time Jobs for Farmers

HERMAN IHDE, Master of the Wisconsin State Grange and President of the Wisconsin College of Agriculture, before the WISCONSIN BANKERS ASSOCIATION.

IF the buying power of all the farm population and their neighbors in the small towns and villages could be built up to a true American standard, the result would be of vastly more importance than all the foreign trade we could imagine.

If this market could be raised to such a standard it would set the wheels of industry humming to capacity. How then can we increase the income of the whole body of farmers?

Cutting down the number of farmers would help the income of those left, but would not help the total farm income and the market it makes for industry. To follow the suggestion of abolishing the smallest farms would increase the income of the rest by only 10 per cent, even if half of the farms were abolished. The results would be so small that this scheme would be needlessly cruel to the millions of small family farmers so abolished. If the biggest farms were shut down, however, instead of the smallest, the income of those left would be increased by almost one-half merely by dropping less than 10 per cent of the farmers at the large end of the scale. But none of these things would increase the total farm income and its market for factory products. To increase the income of the whole body of farmers, it would seem to be absolutely necessary to increase the total demand for farm products or else to increase the income which the farmers get from other sources than farming.

The first scheme—that of increasing the demand for farm products—apparently is achieved most easily by increasing

industrial prosperity. This makes farm demand pick up at once in full strength with increased payrolls. The results appear not so much in greater quantity of consumption as in increased prices for the same output. There are other things which can be done to expand the demand for farm products. New uses are being found for them.

There are, however, decided limitations to the increase which can be made in the income from the sale of farm products alone, either at home or abroad. Even abundance will not induce us to eat much more, and scarcity has been shown very clearly not to increase total payment for food. The masses of the population spend almost a fixed proportion of their income for food within any brief span of years. This being the case, it is but natural that farmers should do other work in spare time, of which there is a surprising amount done at the present time. According to the Government Census of 1929, more than 30 per cent of all operators reported part time work off the farm.

This is a means of increasing farm income which is capable of great expansion. It will require industrial cooperation to develop it as fully as possible, but the effort put into such cooperation will be well repaid.

It may seem at first glance that this is an impracticable scheme, since industry already has the capacity to produce more than it sells. That, however, is a short-sighted view. Some of our industrial leaders already recognize this fact and are setting up branch factories where farmers may get employment for part of the year. Rural communities which have such auxiliary industries are much more prosperous as a result. Branches of large manufacturers, however, alone are not enough. Small local industries are necessary also to build

up an adequate income for some rural communities. This will be easier with rural electrification. There are some farming districts which have a much larger population than can possibly be built up to a true American standard of living on farming alone. Such districts definitely need local industrial development, and industry would be well advised not to leave it to government to supply the opportunity. The expansion of new production in communities once poor definitely helps the nation as a whole as well as those communi-

ties. The foreign-trade experts tell us—and they are right—that trade cannot be only in one direction; exports require imports. The same is true in home trade. When a community produces and sells a million dollars' worth of goods to the rest of the nation it also buys a million dollars' worth of goods in return.

It is only as standards of living advance, that consumptive capacity can keep pace with America's limitless power to produce.

Young America Tithes

P. R. WILLIAMS, President, Savings Division, American Bankers Association, and Vice-President, Bank of America, N.T. & S.A., Los Angeles, before the NEW YORK CONFERENCE.

THROUGH life, the need of savings continually presents itself.

What is the "Open Sesame" to the elimination of many troublesome experiences?

The answer is a new plan we choose to call the Y.A.T. Movement—meaning Young America Tithes. That word "tithes" first of all might convey to you an ecclesiastical meaning. I do not mean it in that sense. Tithe is an old Anglo Saxon word meaning one-tenth. Tithing—the setting aside of a tenth—has been known for thousands of years.

It has been used sometimes for the support of the church, on other occasions for the support of the government, and at other times for family use. It is unimportant what you call it—whether a tithe or merely a 10 per cent fund. The Y.A.T. plan itself is the important thing. It contemplates always making it easy to save and difficult to spend. We do not expect this to be a bank plan. It is altogether too big an undertaking for any organization short of the Government itself. Of bankers, what will be suggested to them is that they are most excellently equipped and situated to offer valuable assistance and cooperation. Also educators and educational institutions could render yeoman service. Then Boy Scouts and Girl Scouts and youth movements should be utilized to the utmost. P.T.A., women's clubs, and service clubs should be enlisted in the cause. What, then, is the plan?

We propose that under the leadership of the Treasury Department a form of savings be devised through the use of postage stamps—that when a child has his dimes, instead of putting them in home savings boxes that can so easily be tampered with or temporarily borrowed, that he be urged to buy postage stamps and affix them to a form containing 10 squares. When these spaces are filled with 10 stamps of 10

cents each or of an equivalent amount, the child is instructed to take that dollar in postage stamps to the nearest bank and open with it a Y.A.T. account. The bank will be provided with a red, white, and blue passbook—uniform in design throughout the nation, but with a space for the imprinting of the name of the bank. The bank would be given the privilege of forwarding the stamps to the Federal Reserve bank for credit and Y.A.T. accounts would be opened on its own books. Interest might be desirable at the postal savings rate.

When no bank is available, post offices could be authorized to receive the deposits. Federal savings and loan associations could also be included.

The F.D.I.C. and F.S. & L. Insurance Corporation would provide insurance as now authorized in their respective spheres, and a limit of \$5,000 could be placed on such accounts if deemed desirable.

There is nothing new about postal stamps savings. It has been in use by the British Government for 50 years or more.

The mere casual savings, however, is not the goal that we seek, but that systematic habit of laying aside from youth a certain definite proportion of that which one received for his own future needs. Tithing for himself—tithing for a definite purpose—tithing for one's own family—could anything be of greater importance?

If supersalesmanship of the Treasury Department can sell \$2,000,000,000 of baby bonds, why not use that same talent and energy to float this Y.A.T. Movement? It could become a fad, if you please, so that all organizations in the country would help to make it succeed.

Will it work? Or is it an idle dream? All I can say is that the Y.A.T. plan has been discussed with bankers, educators, business men, teachers and students, and so far there has not come a single discouraging word. At least, let us ask the Government to give the matter serious, sympathetic study and, if justified, then the necessary leadership. We may find a way to remove some thorns from the pathway of tomorrow.

The Best Security

*A*s you seek happiness, look for it in growth of all kinds, but particularly in the development of intellectual power, emotional sensitiveness, social consciousness, aesthetic appreciation, spiritual understanding and faith. An harmonious personal development is the best security for the individual and through the leadership which will surely result, the best security for "society".—THOMAS N. BARROWS, President, Lawrence College, Appleton, Wisc.

"Bargain" Bonds

LAURENCE R. LUNDEN, Investment Counsel and Editor, *Financial and Investment Review*, University of Minnesota, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

A WIDESPREAD fallacy that leads many bank investors into difficulties is the notion that quality is a hidden virtue and that it is possible to acquire "bargains" by shopping around a bit.

Conceding the possibility of just enough exceptions to prove the rule, it might properly be said that there is no such thing as a "bargain" in the bond market. Admitting the validity of this rule, a banker should look askance at any security that persistently sells at more than the going rate of return on prime securi-

ties. The banker must bear in mind that the effective yield on a bond is composed of two principal elements, viz: the pure rate of interest, which is the rate at which money could be borrowed if there were no risks present; and the risk premium, which naturally varies according to the degree of risk assigned a security by those individuals who "make" the market. Since the pure interest element is the same in all securities, yield differences represent degrees of risk.

Hence, by definition, a "bargain" bond is one that the buyer thinks is a much better bond, or has less risk inherent in it, than the market is willing to admit. Thus, in effect, a single buyer puts his judgment against the composite judgment of trained and informed buyers and sellers over the nation.

What's Right with Business

E. L. PEARCE, Executive Vice-president, Union National Bank, Marquette, Michigan, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

WE need a better public understanding of the fundamental principles of business and economics—those principles upon which our whole national life and liberty are founded.

Throughout our land is being proclaimed a vicious philosophy that would destroy those principles, a philosophy that ennobles improvidence and disparages self-reliance; a philosophy that teaches that all poor are pure and that all wealth is wicked; that the way to prosperity is through reckless spending, and the way out of debt is to borrow money. It is time for the businessmen, the professional men, the bankers of America to speak out. Their silence has made it possible for economic quacks and academic theorists to gain the

public ear, to do all the interpreting of current events and to so broadcast, without challenge, distorted ideas and a destructive philosophy.

Let us tell the people of this country what is right with business. They are tired of hearing what is wrong with business. Let us challenge the implied accusation that all business and banking are steeped in unrighteousness, lest public judgment be rendered against us by default.

Most of us have an abiding faith in the soundness of the ultimate judgment of the American people, but we know that, through propaganda and false promises, public opinion can be temporarily warped in ways that prove costly and leave scars slow to heal. No business system can long remain any stronger than the economic life and thinking of the people that system is designed to serve. We have a responsibility as well as an opportunity to help lead American economic thinking out of the wilderness of half-truths.

Interest Received and Paid

JOHN R. EVANS, Executive Vice-president and Cashier, First National Bank of Poughkeepsie, New York, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

WE are confronted with two problems, which we have been endeavoring to solve: First, the reduction in our interest received and second, the control of our major item of expense, interest paid.

With regard to the subject of income, we have been asking ourselves these questions: To what extent should we increase our mortgages, thereby supplementing our income? Shall we endeavor to attract good mortgages on an amortized basis, by offering a lower rate of interest, and have we been neglecting a fertile field by not taking the fullest advantage of the F.H.A. insured type of mortgage? Shall we endeavor to recover loans on collateral, which we have been losing to metropolitan banks and brokers, by lessening the differential in interest rates? Shall we go more aggressively into the field of consumer credit, which has largely been serviced in the past by finance companies? Is it logical to purchase commercial paper of these finance companies at an interest rate

of three-fourths of one per cent and then have them make many loans in our community which might properly be handled by us? Are we discouraging a great many sound loans to industry by unduly restricting the term of payment? Should our advertising emphasize to a greater extent our willingness to make good loans?

If we do not find the answer to our questions of how to increase our income, and if we are to continue to experience a period of easy money, it may well be that we will have to reduce further the rate of interest paid on time deposits. With regard to this rate, I can only state that our own experience leads us to the conclusion that our depositors regard their time deposits as prime investments, being concerned first with safety of principal and availability, and to a much less degree with the rate of interest received. We are led to believe, therefore, that the item of "interest paid" should be considered as a flexible, rather than a fixed, cost of operation. We hope by continued contacts with other banks and by mutual exchange of experience to be aided in arriving at the answers to these problems and in determining our future course of action.

In Twelve Instalments

W. B. HARRISON, President, Union National Bank, Wichita, Kansas, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

WE do not have a separate instalment loan department, but we do make instalment loans, with and without security, to our customers. We believe that such loans are much better on a basis of a year, with 12 equal monthly instalments, than they are on a basis of 60 or 90 days, with many renewals.

The practice we have is this: Before we make such a loan, and after going into the matter carefully with the borrower, we arrange with him that at each instalment maturity the note teller is authorized to charge that instalment to his account in the bank. If he objects to this, we do not make the loan. We do not want past due paper on our books or past

due instalments. We do not want the expense of mailing the borrower a notice of the instalment due, and when we debit the account he gets the debit at the end of the month.

We do have the whole proposition thoroughly understood with the borrower, and in most cases we find that he likes it because it saves his coming to the bank, making out a check, or paying any attention to the instalments. Unless earning ability and his ledger account in the bank indicate that he is likely to have enough balance to take care of the debit each month, we do not make the loan.

We have found loans thus made very satisfactory and also profitable. We charge 6 per cent discount on the one year instalment note, and we have practically no objection to the rate. We feel that we are entitled to a better rate than on the regular run of notes because the amounts are smaller and the bookkeeping is much greater.

The First Use of Earnings

WILLIAM R. WHITE, New York State Superintendent of Banks, before the A.B.A. NEW YORK CONFERENCE.

I REALIZE that management is always subject to a certain amount of pressure from stockholders who are interested not only in enlarging profits but also in having earnings liberally and promptly distributed. One who regards the operations of a bank from this point of view is apt to make two mistakes—first, in selecting assets on the basis of yield rather than quality, and second, in failing to set aside out of earnings sufficient amounts to maintain a sound asset position. The view of the supervisor is, I believe, generally in accord with that of conservative management. It holds that quality must be the primary consideration in the selection of assets and that earnings should be utilized first to provide for possible principal loss and the maintenance of an adequate capital structure.

It seems to me that management which attempts to comply with the demands of stockholders for dividends by acquiring substandard assets and distributing income without regard to the need for its retention cannot long postpone the day of reckoning. Sooner or later such a policy is certain to lead to a cessation of dividends if not to serious difficulty, with the result that the stockholder eventually becomes more dissatisfied than ever. I am not suggesting that the stockholder can or should be ignored. He is entitled to an explanation of the problem which confronts management in trying to maintain earnings at times when money rates are low and acceptable loans difficult to obtain. But let us not forget that it is the net result in which the stockholder is primarily interested and that he is therefore also entitled to know that his bank is not indulging in extravagances and that all reasonable economies in operation have been effected.

Sound Business

J. DOUGLAS BROWN, Chairman, Advisory Council on Social Security, before the INDUSTRIAL RELATIONS CONFERENCE OF THE AMERICAN MANAGEMENT ASSOCIATION.

WITH contributory social insurance providing basic security to all wage earners at a uniform cost upon all employers, it is sound business as well as sound public policy for employing organizations to supplement the protection afforded by Government social insurance. As basic protection, social insurance will never fulfill adequately the purposes of private personnel programs for retirement annuities, death and disability benefits, dismissal compensation or thrift. In such programs benefits must be related more closely to earnings if the advantages long accepted are to be secured. If it was good business in 1935 to retire superannuated workers at half pay, it still remains good business. The use of two interlocked methods of insuring the provision of the proper benefit does not alter the essential purpose.

It is probable that Government social insurance will continue to stimulate the expansion and improvement of private benefit plans. Thrift begets thrift and the desire for security stimulates incentive to obtain it. Just as the establishment of one type of private benefit plan has often encouraged interest in other types among an employee group, so the introduction of basic family protection under a revised Social Security Act will probably lead to a broadened interest in private benefit plans. Contributions to security programs are in large measure not a new cost but the more systematic provision for costs which already exist. Hidden pensions and obvious relief costs will continue to be a serious tax on business efficiency and enterprise if not brought under control by constructive public and private measures.

Loans to Business

A. L. M. WIGGINS, Chairman, Federal Legislative Committee, American Bankers Association, and President, Bank of Hartsville, S. C., before the Association's NEW YORK CONFERENCE.

THE probability of any broad revision or major changes in Federal banking laws in this session of Congress appears to be more remote from day to day. The usual volume of banking bills has been introduced and the usual demands have been made for a revision of our banking and monetary system, but thus far in this session of Congress such proposals have received slight consideration. There appears to be in Washington today a more realistic approach to the problems of business than in recent years, and a more careful weighing of the merits of proposed changes in advance of their acceptance. To an increasing extent the burden of proof is on the affirmative side. The result is, in the matter of banking legislation, a resting period, a time for study and examination, rather than a time for new laws.

Perhaps the most serious legislative development in Washington today directly affecting banks is on the matter of loans to business. There is a general belief in Washington that a heavier flow of funds of a capital nature into commerce and industry is necessary to accelerate business revival. The difficulty of small business in securing capital funds either through loans or from the sale of stock is presented as a chief deterrent to expanding business. It is freely recognized that banks are making all the sound commercial loans they can get and that to an increasing extent banks are entering the capital markets by making term loans running three to five years and even longer. It is in this field that a further expansion of loans is desired.

But the far greater demand is for an increased flow of risk money in business in the form of loans carrying substantial possibilities of loss and for partnership capital in the form of stock. It is not seriously advocated that banks should undertake to supply such capital. Nevertheless, legislation which undertakes by forced draft methods to supply the risk money for commerce and industry becomes a serious concern to all credit institutions.

There is necessarily introduced into such proposals the theory of the socialization of credit losses through some form of Government guarantee.

Such a philosophy underlies the proposals in Senate Bill 1203 introduced by Senator Pepper of Florida, which creates a system of Federal Regional Industrial banks to furnish additional credit and capital facilities for business. Not less than five nor more than 12 such regional banks would be set up, each bank to have a minimum capital of 100 million dollars and a maximum of one billion dollars. These banks would be authorized to issue debentures which are made legal investments for national banks and in effect are to be guaranteed by the United States Treasury. These banks would be authorized to make loans with or without collateral and to buy preferred stock, common stock or bonds of any business enterprise, public agency or governmental body or "to take such steps as the board of directors of each such regional bank shall determine to be proper, to furnish needed capital and credit facilities in the United States." Such a system of Government banks in this country would not only mean the end of private banking but is the most advanced step in state socialism of business and banking that has been seriously proposed in high governmental circles. In some quarters it is felt that the need for loans to small business is not as great as it was six or eight months ago.

Other measures dealing with loans to business include the proposal of Representative Brown of Ohio in H. R. 3520 which authorizes national banks to make loans to any business or industry to enable it to acquire tangible capital assets, such loans to be secured by a first lien on the property for which the loan is made.

A third proposal is contained in S. 1482 and H. R. 4280, introduced by Senator Meade of New York and Representative Allen of Pennsylvania, respectively. These companion bills authorize the R.F.C. to insure loans made by national and state banks and trust companies on and after July 1, 1939, and prior to July 1, 1941, to any industrial or commercial business now or hereafter established, to enable such business to increase its production, extend its operations or modernize its plant or equipment.

The Constructive Bank

H. H. SIVRIGHT, Vice-president, Iowa-Des Moines National Bank & Trust Company, Des Moines, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

IN considering applications for three and five year credits, many details are essential—audited figures for several years back are necessary.

In each case we have had our own accountant from our credit department examine the accounting methods of the business and in some cases had expert advice from those in similar lines of business. A study of the plant itself is made. Particular attention is given to the management of the business, its ability to carry on against any emergency during the period of the loan. In some instances it has been deemed

advisable to require insurance on the lives of the partners or on the life of some particular executive in the case of a close corporation with the management built around one outstanding executive.

In the application for the loan we give particular attention to the purpose of the loan. We ask the customer to furnish a detailed statement as to how the money is to be used. If it is for equipment we ask him to bring into the bank invoices of the concern from which he is purchasing the equipment. If money is to be used for the improvement of the plant we ask for estimates from the contractor.

In setting up the credits it is very necessary to have a complete understanding with the management and in each case an agreement is drawn specifying the total amount of the loan, length of time, interest rate, manner of repayment.

In some cases the same rate prevails for the full term of the loan; in others a graduated rate is agreed upon. The amortization of the loan is outlined. Some are on a monthly basis, some quarterly and some on a six months' basis. In all cases loan papers are so drawn that in the event the payment schedule is not adhered to the whole amount of the balance of the loan becomes payable at the option of the bank.

In some cases we have insisted that we be consulted on dividend policies and the matter of increases in salaries, and that the bank's permission be obtained before the acquisition of other property or the incurring of any obligation other than those required in the ordinary conduct of the business. We feel we are entitled to periodic statements and earnings reports and the privilege of sending our credit men into the establishment to make investigations when any trend of the business or general conditions justify such procedure.

In a serial repayment program we have a continual turnover of funds. A five year loan does not mean the bank's funds are tied up for five years. With the amortized pay-back the average term of the loan is less than three years.

The question arises, "What percentage of a bank's assets may properly be used in this type of loan?" As banks are just getting into these loans I think it is pretty much up to the judgment of each individual bank. I believe it is just as much the province of a bank to make loans and attempt to assist its customers with their problems as to accept their accounts only, and call them your customers. We used to hear a bank spoken of as a conservative bank or a liberal one. I think it behooves all of us in commercial banks to be constructive—to do the best job we can to serve the commercial interests of our city and trade territory. "Behind the enduring bank is the successful customer."

Seasonal Loans for Farmers

B. E. GROOM, Chairman, Agricultural Committee, Greater North Dakota Association, Fargo, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

THE type of agricultural development work in which bankers can properly participate is, I believe, limited to just one line of endeavor—that of increasing farm income. That eliminates everything of an experimental nature.

We maintain experiment stations and numerous other institutions and agencies with specialists in charge, to try out new crops, new methods, etc. The banker should not be expected to help exploit such undertakings. He can very properly decline to lend financial support to the scores of undertakings proposed for new farm projects, processing plants, marketing programs, etc., until such proposals have been carefully and fully analyzed by responsible specialists instead of promoters. There are plenty of opportunities to lend financial assistance in furthering sound agricultural

programs within safe limits, and on well established courses.

Direct financing of land purchases need not be considered. That problem is, and will no doubt continue to be, handled by the Federal Land Bank, insurance companies, and by contracts between buyers and sellers on a long-time easy payment basis that eliminates private bank credit.

Finances for implements and special equipment required for farmers require little bank credit. Manufacturing concerns have developed credit sales systems that meet legitimate credit needs. Bank credit appears to be solely along the line of discounting dealers' paper, purchase of commercial paper, and occasional deals with select customers.

In most cases, ample credit is available for livestock feeding, and banks are freely participating in that type of loans. This is financing the industrial phase of the farm business.

The credit need is for short term seasonal loans for operating the farm business, and for restocking farms with herds and flocks of breeding stock.

Our Muskets Are Money

GEORGE H. DAVIS, President, U. S. Chamber of Commerce, before the AMERICAN NATIONAL LIVESTOCK ASSOCIATION.

WASHINGTON today controls and allocates most of our working capital. It fixes wages, hours and prices, and is in 250 different lines of business, with Government competition increasing daily.

The head of P.W.A. does not march with armed men into 124 municipalities to confiscate private power plants. He marches with \$160,000,000. Retail stores are not taken over by force, as in Russia; we establish competitive cooperatives with money that was appropriated "to relieve distress."

Banks do not yield up their buildings to armed forces; they are compelled by circumstances to invest their depositors' money in government bonds and face competition in 34 great Federal lending agencies.

We, as American citizens, would fight an overturn to the fascist state by armed troops, yet we have complacently viewed the march which has taken us a long way down the road to the socialistic state.

We all know that to harvest the sowing of fear and distrust and overturn the established order, revolutionists march with muskets. Black shirts, brown shirts, secret orders, storm troopers, seizure of the army—their part we all know.

What we do not seem to realize is that we, being a wealthy nation, do it differently—as one of the young "professors" said, "by subterfuge"—painlessly, but just as effectively. Our muskets are money!

While the American system of free enterprise in the United States, like anything else with a human element, is not perfect, certainly there is nothing up to date to suggest that operation of business by government has improved the management.

Overgrazing

ORVAL W. ADAMS, Executive Vice-president, Utah State National Bank, Salt Lake City, and former President, American Bankers Association, before the AMERICAN NATIONAL LIVESTOCK ASSOCIATION.

YOU livestock stalwarts are aware of the evil effects of overgrazing on the public domain. When overgrazing on the public range is permitted over a long period, the trail ahead points to the last round-up.

It is my purpose to discuss overgrazing in the public treasury. That overgrazing has been practiced for the past nine years, the first two years under its former Administration, and is being practiced in an ever increasingly alarming extent. Every lover of the American system of government should be aware of the Treasury erosion that has taken place. That we are not all awake to this can be attributed to the current practice of borrowing to meet deficits, as opposed to taxing.

The most vital need in America—and in every democracy, in order to preserve that democracy—is a tax-conscious citizenry. In this country in 1936 only 3,000,000 people paid Federal income tax out of 40,000,000 gainfully employed; 37,000,000 people were not so reminded of profligate spending. Had they paid this tax they would have been watchdogs of the Treasury and critical of political spendthrifts.

All of us are committed to the proposition that the worthy needy must be taken care of, but at the same time it must not be forgotten that the destruction of savings and the starvation of production through an ever-increasing deficit and public debt mean the loss of the capacity to care for the needy. The thrifty citizens, and not the Government, must produce the money for this purpose. Necessarily the interests of those on relief are identical with the interests of the producers and those who have saved, for the Government cannot care for the needy one moment longer than it remains within the capacity of the thrifty in America to provide government with necessary funds.

The problem transcends all questions of party or partisanship. The problem must be solved by us as American citizens and not as members of political parties. In the light of recent disclosures in the handling of relief funds, no good American will deny that the relief problem should be in the hands of local and non-partisan administrators. If our status as free men is to be preserved, the electorate must not be debauched with taxpayers' money.

Those who manage the money affairs of this country have shown that they cannot learn, they will not change; they must be stopped. What we need more than military rearmament is Treasury re-armament. Heaven forbid that this pump-priming fallacy, an admitted colossal failure, be allowed to continue under the pretense of preparing for war.

Healthy and enduring recovery is impossible of accomplishment without the restoration of business confidence. That confidence, now crushed, will return only when control of Federal spending is recaptured. To effect its recapture, two courageous, statesmanlike, intelligent and patriotic actions are vitally necessary. First: a sizeable reduction in Federal expenses; second, an imposition of taxes over a broad base.

One of these recommendations carried out will not by any means suffice. Both must become realities.

The Administration has recently fallaciously proposed that instead of trying to establish our economic life by an honest and sincere approach to a sound fiscal policy, that we merely wait until our national income reaches 80 billion dollars and then the millennium will be here. This is contrary to every fundamental law of economic experience. An attempt to produce an 80 billion dollar national income through increased spending, if apparently successful, could only prove to be bloat and not health.

Bluntly speaking, our choice is limited to this: Change the trend of deficit spending through a reduction in Government expenditures and a broadening of the tax base—or continue down the trail to the last round-up.

This Personal Loan Business

WALTER B. FRENCH, Vice-president, The Trust Company of New Jersey, Jersey City, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

I SHOULD say that \$250,000 invested continuously in small loans a year just about pays for the expenses of a small loan department in a bank located in a city of moderate size. At a 6 per cent discount, that would pay the bank \$15,000. A manager for the department and, say, one or possibly two clerks, would use up in salary \$5,000 to \$6,000; expenses such as rent, telephone, postage, legal fees, reserve against losses, the department's share in the administrative expenses of the bank would take up another \$5,000. The balance of \$5,000 would have to be spent on promotion and advertising if we wanted to bring our department up to a volume where the bank was going to begin to make some money on its investment. And so I say, if your community will not support a revolving fund of at least \$250,000 in small loans, don't go into the business.

Although the business is still new some banks have al-

ready cut the discount rate to less than 6 per cent. If the rate is lowered to gain a competitive advantage it's a poor decision, because your competitor usually lowers his rate to meet yours (which incidentally, is also a poor decision), and then nobody makes money.

Many bankers use the old worn out argument that when they figure profits on their personal loan departments they charge up no overhead for rent and administrative expenses, because, after all, the bank is there, etc. This is a very poor argument. You wouldn't let a customer in your commercial loan department use that kind of accounting, so why do it yourself?

An important point to consider when you are attempting to develop this business, and perhaps the most important of all, is the attitude of the whole bank towards this small loan business. If you are going into the business, everyone from the president down to the last porter should be sold on the fact that this is a good department, and the people who use it should be made to feel that the bank not only will make them a loan, but appreciates their business. The prospective

customers of a small loan department are, in many cases, depositors of no bank. They feel awkward and strange when they walk into one of these marble mausoleums we insist on putting up. Everything possible must be done to break this down, not only in your advertising, but in the way the applicant is greeted when he finally does muster up enough courage to come through the front doors.

The bank whose experience I have been privileged to observe at closest range has 10 branches. When we first installed our department we watched results very carefully. None of the men in the branches had any experience in this business at all. We found, after the first three months, that all branches but three were reporting about the same volume. Of the three, one was much higher than the others, the other two much lower. An investigation showed that the neighborhoods were good, risks apparently well diversified, advertising was reaching both sections, but still we weren't making loans.

Then we gave some attention to the attitude of those two particular branches to the small loan business, and there, in both cases, we found our trouble. In one instance the floor man who directs people where to go was so abrupt in handling the business he scared people right out of the bank. He is a very impressive looking man and, from the appearance angle, looks more like a bank president than a floor man. As soon as we stopped him from trying to find out why peo-

ple wanted to borrow money and then discouraging them we began to make loans. The other case was the fault of the loaning officer. He firmly believes that no one should buy anything until he has cash to pay for it. It's a practice which he always followed—and well he might! He was born into a family of comfortable circumstances; he married a girl who had considerable wealth; and he has a good position at the bank. Of course he always pays cash; he's always got the cash! I have no fault to find with the "pay cash as you go" philosophy, but you can't build up a small loan department with anyone passing on loan applications as convinced of the practice as this man was. In this case, we had the applications referred to another officer, a man who was born in a tenement and never had a dime he could call his own until he was 18 years old.

That corrected the condition. Today that branch holds second place in the company.

Let's get just as much experience as we possibly can, and be liberal in passing the result of our experiences on to some central agency, such as the American Bankers Association. The banks of the country are engaged now in building up a consumer credit volume which will wield a tremendous influence on the economic life of our country. This influence can be directed so as to be either a decided benefit to society, or, if we are not careful, develop into a Frankenstein which will haunt us for the rest of our lives!

Drains on Earnings

ARTHUR J. LINN, Comptroller, Hamilton National Bank, Washington, D.C., before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

I WANT to cite a few examples of items of expense completely out of control. There are some things that add to the cost of operating our bank that have me on my beam ends, insofar as a practical solution is concerned—and you will undoubtedly find the same situations in your own banks. I am talking about things that are consistently and continuously running up our expense accounts.

For instance, let's look at this item of the turnover of savings, or special thrift accounts as they are known in this jurisdiction. A three year study in our bank showed 20,748 accounts opened and 14,998 closed, with a total of 19,800 accounts on the books at the beginning and 25,550 accounts on the books at the end of the period reviewed. This, as I figure it, is a 72.3 per cent turnover or mortality. Nor was our picture so bad at that. Thirteen banks in the District of Columbia started the period with a total of 174,400 such accounts—opened 120,616 accounts, closed 93,982 accounts—and wound up with 202,700 accounts—a mortality of 78.3 per cent.

Now you may consider your own bank and say, "That can't happen here," but the worst is yet to come. Let's look at the New York State savings banks. I always thought that a savings bank passbook was an integral part of New York and New England households, treasured for decades and handed down from father to son, but the Savings Banks Association of the State of New York reports as follows for the period to which I refer, the three years ending June 30, 1937: 5,846,000 accounts at the beginning of the period, 2,914,000 accounts opened, 2,669,000 accounts closed, leav-

ing 6,078,000 at the end of the period—a turnover or mortality of 91.6 per cent. Based on these official figures we can quickly arrive at the conclusion that the savings business is a direct route to the more abundant life—for the passbook manufacturer.

I don't know the solution. I am just throwing out this thought in the hope that somebody will think that my figures are cockeyed and start an investigation on his own account which may lead to some partial solution of what seems to me to be an aggravating problem.

There are many such drains on earnings in our present banking structure. I would like to see them brought to light and studied as individual cases. At the same time, many bankers do not have full information on numerous money and time saving devices in use in other banks. I know from personal experience that in my visits to correspondent banks I have seldom failed to pick up an idea or a method that had a practical application to our bank. I wish we could get a wider distribution of ways and means to save time and money and while the proposal I am about to make is somewhat remote from my subject, I want to suggest an idea that I believe would have practical value in making available to all who attend many money and labor saving suggestions.

My proposal is this: Suppose at some future conference 15 or 20 men were invited to bring to the meeting the most practical money or labor saving devices or suggestions in use in their shops with definite instructions to present them to the meeting in not over three minutes each.

The term "efficiency" has been so misused that it is in bad repute. In the final analysis it means the easy way to get things done—the lazy man's way! There must be a number of us trifling, sorry fellows who have developed really good methods to get a lot of work out of the other chap.

The Bank for Little Folks

THOMAS B. JAMESON, Assistant Treasurer, Boston Five Cent Saving Bank, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

IT is logical that a bank interested in the saving of small sums should open a department for children. So we have designed "The Bank for Little Folks" just for them. It is the children's own bank; it is set off as a unit with white columns and Roman arches. This gives it the appearance of a separate place of business. It is a bank in miniature. The tellers' windows and the counters are built low; in fact, they are only 30 inches high. This is in order to accommodate the diminutive size of our little depositors. Miniature chairs are provided, of just the right size for miniature business people.

The psychology behind "The Bank for Little Folks" is expressed in these words: "Learn by doing"—one of the oldest and best principles of child education. Let your child learn by doing. These ideas are behind the "Bank for Little Folks"; it is for the little children and they know it. They come into the bank because they want to, when they want to—of their own initiative, of their own volition, unforced. They do their own business themselves, nothing by proxy. *They do it all in the bank.* They open a regular bank account.

Doing it all themselves is an attraction for the children. They sign their own names, with pen and ink, on a regular signature card at the counter, exactly as the grown-ups do. This card is filed in regular course with the records of the bank. There is no separate bookkeeping for the children. The other day we had a boy only six years old, who filled out duplicate signature cards completely without help from anybody. We have had two children under five years old, who signed their own names.

The children are very amusing. We encourage them to talk. At first some of them are timid, but after a few visits they feel very much at home. Many of them before Christmas told us that they were saving up to buy a present for their mother. We do not remember any of them as having said they were saving up to buy a present for their father!

We find that many of the children save for a purpose. A nine year old boy is saving to buy a house—for his mother. A little girl of about the same age wants to buy a fur coat—for her mother. They give other childish and lovable reasons for saving, and they are very much in earnest.

In making our transactions we do not hurry the children. If the child wants to talk, we listen. We take him seriously. We treat him as a developing human mind. We try in every way possible to make the children feel as if they were somebody. We think that this is one way to make them enjoy the experience of saving.

The question naturally arises, "What shall we do if little children attempt to draw large amounts, amounts out of keeping with their age?" What shall we do if a child of five years wishes to draw \$2, or a seven-year-old \$10, or a 15-year-old \$25 or \$50? Well, we just telephone to their mothers. We pay no large sums to children without parental consent, which must be by telephone, by letter or under the parent's personal escort. This appeals to the ego of the parent. (There was the 13-year-old boy who wanted to draw \$13 to buy a Ford car.) As a matter of fact, the drafts made by children are infrequent and of trifling sums, usually under \$1. In a few suspicious cases in which discretion prompted us to call the parents, consent has always been given and we found that the parents had full knowledge of what the child was doing. We have not had a single dishonest child attempt to draw a large amount unknown to his parents. This is gratifying. There is no draft problem. We find that the child's instinct is to hoard. They hate to draw. There is no lost book problem. The children take good care of their bank books.

Our peculiar advertising method is the display of pictures and statues inside the bank and in the show window. We adapt these to the patriotic anniversaries as they occur during the year.

In one school a teacher asked her pupils whether any of them had ever seen the state flag of Massachusetts. One pupil raised her hand. When asked where she saw it, she replied, "In the Bank for Little Folks."

The children were attracted in large numbers by free distribution over the counter of little books entitled "A Nickel Can Grow." These are bound attractively and are illustrated in color. The story is intended to amuse and interest the children and places before them childish incentives to save.

"The Bank for Little Folks" plants an active germ of thrift, of interest in a real bank, in the psychology of the children, the teachers, and the parents in just the proportion which is proper to each.

Better Than Average

O. M. HIBLER, Vice-president and Cashier, Phoenix State Bank and Trust Company, Hartford, Connecticut, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

BBETTER than average pay produces better than average work. If we have used great care when we hire an employee, he is better than average and, consequently, he deserves better pay, not only later on but from the moment he enters our employ. Compensation should be based on responsibility, loyalty, ability, experience and of least importance, length of service. After an employee has been in

our service for a number of years, we seriously consider what his value is likely to be in the years to come and as the building of our organization for the future is of prime importance, we are glad to pay and do pay increased salaries to those individuals whom we expect to carry greater loads in future years.

I know of no more difficult problem in banking than the matter of promotions. From time to time, we shift employees from one department to another, which increases the flexibility of the organization and enables them to get more experience and thereby become more valuable. We take great care to point out that these shifts from one job to another

are not looked upon as promotions. In some banks, there still seems to be the old idea of a more or less straight line of promotion, this line beginning with the runner's job, then to the bookkeeping department where the employee works on all ledgers, then to proof or clearinghouse work, then to the last cage of the teller's line, up through that line to the discount department, with a bit of general ledger experience on the way. When the discount department was reached, it was believed that the next step should be an official position.

The old rule of seniority applied in more cases than was good for the institution. Where two employees are being considered for more important work, seniority should be dominant only if the capabilities, personalities, and responsibilities are the same. In our own shop, we have no direct line of promotion. We try to give every man an opportunity to learn the work in every department. We use girls as operators of our individual bookkeeping machines, as I am firmly of the opinion they are better bookkeepers and that no man of the type we desire would remain with us long if asked to spend a number of years operating a bookkeeping machine. Our young men are placed in the bookkeeping department for a time to enable them to understand the operations of the department, and are then placed in our check settlement department where N.G. items are handled. This gives them an opportunity to become familiar with the

accounts which are not too substantial and which may prove troublesome. Information about those accounts, it seems to me, is more essential than information concerning accounts which never cause trouble.

In every organization there are a few young men who can assume responsibility and whose personalities are such that most of the people with whom they come in contact like them. They, on their own, seek out better methods of doing things. They bring to your attention accounts about which they have some suspicion. They keep their eyes open for accounts to be placed under analysis. They go out of their way to make friends for the institution. They are neat and well-dressed. They are always ready to lend a hand to another employee when his load is unusually heavy. It is never necessary to check up on them to find out if their job has been done well and on time. Your customers will stop and tell you what fine fellows they are and how pleasant it is to be served by them.

These young men, and every bank has a few, are the ones to whom definite promotions should come. It is a wise boss who keeps in close touch with them. He will talk with these men frequently and learn the angles of the business in which they are most interested. He will then strive to give each one an opportunity to follow the work which is of the most interest to him.

The Personnel Manager

C. R. DOOLEY, Manager of Industrial Relations, Socony-Vacuum Oil Company, before the Industrial Relations Conference of the AMERICAN MANAGEMENT ASSOCIATION.

THE responsibility for conducting a business in line with good, established industrial relations practice, and the ever-present sincerity which should surround a corporation, giving it tone and color in its community, are entirely in the hands of the management, yet management today finds it helpful to have a staff assistant on these matters, not only for research and counsel, but to handle certain parts of the program which are definitely delegated to him. He carries different titles in different companies—industrial relations manager, personnel manager, assistant to the president, and occasionally vice-president. Whatever the title, however, the important thing is that he report to top management.

What kind of a person should such a manager be? At the risk of shooting at the moon, I suggest the following: In a very real sense he is a representative of management, advising, counseling, interpreting, and helping in a multitude of ways, and yet everything he does is a function of top management and would be done by the chief executive if he had the time and if the organization were not so large.

He must never on any occasion presume or assume managerial authority or make decisions on matters which have not been definitely delegated to him. He must have the confidence and respect of the employees as well as of the management, for he represents the employees to the management, and in the last analysis must stand firm for their rights and against any injustice. He should, therefore, have courage, a judicial mind free from prejudice, and sincerity regardless of any immediate situation. He will need a strong sense of what is fair and right for all parties.

He must take a long view of problems even if in opposition to some manager who under the stress of an immediate situation may take a short view. His motives can never be on the basis of favor or politics. If he exchanges concessions he is lost.

He must not always be sensitive to the kind of answers the boss wants, yet he must always be considerate and tolerant of the honest views of others. He must be steadfast, clear thinking, undisturbed even if overruled.

In short, employees must believe in him as one to whom they can bring their troubles and not be let down, and of course, the management must believe in him, and rely on him.

Velocity

IT IS not the amount of credit that exists and it is not the amount of money that exists, it is how fast that credit and how fast that money moves that counts—it is the industrial advertising manager's job to help accelerate that movement of money and credit.

Thus, at the present point in the business cycle, the industrial advertising manager's job is more important than it has been for years, because increasing the speed of movement of both credit and money is vital to the very life of industry and presents one of the gravest problems of the moment. If you recognize the gravity of that problem, you cannot afford to overlook any activity which may help the profits of your company and which you feel yourself qualified to carry out or to help carry out.—F. O. WYSE, Advertising Manager, Bucyrus-Erie Company.

Future Real Estate Financing

NEWTON C. FARR, Regional Vice-president, National Association of Real Estate Boards, Chicago, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

THE estate men of the United States believe that they have learned properly to survey and appraise real estate as security for future financing. If this work is carefully, intelligently, and honestly done, the need for an additional guarantee of the mortgage should be minimized.

I hope that we are approaching the point where our lending institutions will not believe that a Federal guarantee is necessary when they purchase a mortgage. This will make them a little more independent in the selection of their loans and certainly will eliminate much red tape and delay in the negotiations.

The cost of the insurance necessary for this guarantee might well be eliminated and saved either to the borrower with a resulting lower interest charge, or preserved for the lender with a resulting higher return on his investment.

Making Term Loans

WALTER W. SCHNECKENBURGER, Vice-president, Marine Trust Company, Buffalo, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

WHAT condition should govern decisions with respect to term loan applications? The broad statement that a most painstaking investigation to determine the unquestioned capacity of the borrower to make all payments as agreed may best answer this question. I shall never forget an old story told me many times in my country banking days. The story has to do with two young men who were discussing a banking problem that involved a point of law as well as the need for judgment. Being unable to agree, they finally decided to submit the problem to an older man who by reputation was the outstanding banker of the community. His answer was, "I can't answer your question. All I know about banking is how to lend money and get it back again." A great deal of this particular quality can be used when intermediate credit is being considered.

Earning power, of course, is the most important factor to be considered when extending credit beyond that of a temporary character. Balance sheets are important too, but, like mortgage appraisals, they can lead us into bad loans if we depend too much on what appears to be tangible asset value rather than ability to repay in cash. This is truer of some lines of business than others, but in most cases we must depend upon earning power and not the liquidation of assets for repayment of our loans.

Among the many questions that should be raised when judging earning power are: (1) the profit record and future outlook for the business in which the applicant is operating; (2) the competitive position of the applicant; (3) the character and ability of management plus assurance of continuity of good management; (4) the condition of the applicant's manufacturing plant and equipment; (5) the effect of changing business cycles, price trends, taxes and other factors beyond control of management; (6) labor conditions in the industry as well as in the community in which the industry is located; (7) are depreciation or depletion charges substantial in proportion to the amount of the annual payments due? Such charges have an important bearing on the capacity of the borrower to make instalment payments in times of lean earnings.

What safeguards should be thrown around loans of this

character? Since there is bound to be a wide difference in the circumstances and conditions under which these credits are extended, no rule of thumb stipulations can be made. Generally speaking, it might be said that such terms and conditions should be incorporated in the agreement which will enable the banks to control, to whatever extent may be necessary, those policies of the company that affect its ability to repay its loan. To the extent that each individual situation requires, stipulations such as these should be made: (1) the maintenance of a minimum ratio of current assets to current liabilities; (2) the maintenance of a minimum amount of current assets in excess of current liabilities; (3) a prohibition against the pledging of assets or the mortgaging of property during the life of the loan; (4) a prohibition against a material change in the character or nature of the business without the consent of the lending bank; (5) restriction or limitation of dividends; (6) limitation of salaries, particularly in the case of small companies and companies controlled by a small group of individuals within the management. These and many other protective features should be borne in mind when making loan agreements.

For how long a period may such loans be made and what should be the repayment terms? Obviously this question cannot be answered by a definite or fixed set of rules. Judgment must determine the answer. A loan such as the 10-year loan to the American Can Company recently announced may be warranted on entirely different terms and conditions than many other loans. A maximum of five years and equal semi-annual instalments that would retire the note in full at maturity would seem to be the ideal but not necessarily the absolute in the way of limitation and terms. Competition of insurance companies as well as peculiar circumstances connected with some situations make it impossible to keep loans within a five-year limit. However we must not let competition nor other factors tempt us into the making of a loan on any basis that, in our best judgment, is not absolutely sound.

Semi-annual payments that would retire the loan in full at maturity is the most desirable repayment basis, but here again peculiar circumstances may warrant different terms. No two cases are alike and we must bear in mind that in spite of the unusual conditions confronting banks today, that make earnings one of the chief concerns of management, our first duty is to protect our bank.

A Six Point Recovery Program

EARL B. SCHWULST, First Vice-president, Bowery Savings Bank, New York, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

I

A GROUP of non-political tax experts should be put to work on our Federal tax laws and those laws should be changed so as to restore to the risk-taking investor classes of the country some inducement to continue to take risks. This may involve in time a substantial reduction in the upper brackets of the income tax, a considerable modification of the capital gains tax, and the complete elimination of the undistributed profits tax.

The income tax should be made to reach in some measure almost all incomes, in order that our people may become tax conscious and insist upon the economical administration of their Government, for in the last analysis tax reductions at one point will have to be matched by tax increases at another, or by entirely new taxes, unless the Government finds some means of greatly curtailing its expenditures. I am speaking here of a policy which we should initiate, without any thought that its consummation could be expected within a year or two or even longer. But the mere initiation of the policy would do much toward the restoration of confidence.

We would not have to be so much concerned with the present amount of the Government debt, nor would we have to be unduly concerned about increasing it somewhat further during the process of putting our budgetary house in order, if we could only be sure of the Government's firm intention to take the indispensable steps necessary to put that house in order. This is true because, under the terms of the existing Social Security Act, the entire outstanding public debt, plus a considerable addition thereto, could be permanently retired from the hands of the public over the next 35 or 40 years from the proceeds of the Social Security taxes alone, once the budget is balanced and kept in balance.

II

The Government should continue its efforts to bring down trade barriers throughout the world and particularly to restore some sanity to our own tariff policies. In short, we should promote the production and export of those commodities and services in which this country is particularly efficient, and this will entail the encouraging of imports from abroad of those commodities and services in the production of which foreign countries have a clear natural advantage.

III

We should resume lending abroad. We are a creditor country, and likely to continue as such, and this means that we shall have capital to lend abroad.

With supervision from the Securities and Exchange Commission and perhaps with the help at the start of the Export-Import Bank in Washington, the doors could be opened again to the lending of substantial amounts of American savings abroad, with reasonable safety and with an assured increase in the export of the products of American agriculture and industry.

IV

The Government should make clear to American business that its attitude toward business is friendly and cooperative,

and it should demonstrate more stability of policy than has been true during the last six years. On their part, business leaders should accept wholeheartedly the principle of collective bargaining on the part of labor, with the hope of developing intelligent, competent, and responsible labor leadership, and should otherwise demonstrate that the social responsibility of business management does not end with the making of as large a profit as possible for stockholders.

V

Corporate management should realize that maldistribution of income in this country is one of the basic causes of our trouble. The best interests of stockholders in the long run might well best be served by pursuing a very liberal policy with respect to the payment of salaries and wages to workers and employees in the lower income groups—consistent, of course, with a fair return to those whose money has been invested in the business.

Labor leadership must recognize that real income comes only from production and that the maximum well-being of workers can never be attained from the stinting of production whether through uneconomic shortening of hours or from any other cause. They must likewise recognize that under a system of free enterprise the plant and tools which workers must have, and therefore their very jobs, will not be provided unless the savers of the country, who have risked their savings to provide the plant and tools, are paid a fair return on those savings.

One of the most effective ways of increasing the purchasing power of the people at large is to make their present incomes go farther in the purchase of goods and services. In other words, it should be a cardinal policy of business management to pass on to the public in the form of lower prices as large a part as possible of the economies that as time goes on are effected through more efficient management, better methods of production, and new processes.

This means that monopolistic practices and price controls should be eliminated wherever they are found. Government and responsible business leadership, through effective co-operation with each other, should be able to accomplish a great deal in the way of making goods and services ever cheaper and thus increasing in the broadest possible manner the real effective purchasing power of the people.

VI

Serious consideration should be given to the broadening of the investment powers of savings banks and insurance companies. These institutions gather the small savings of millions of people. The investment of those savings has been very narrowly restricted by law. It may be well, under intelligent state and Government supervision, to give the managements of savings banks and life insurance companies broader discretion in the investment of the funds entrusted to them. Specifically, I might say that a number of debenture and preferred stock issues have had a record for safety and a market stability comparable to that of many of the best corporate mortgage bonds now legal for investment.

If some of these things were done the faith of business men would be restored in their Government and the faith of Government would be restored in its business men and the 10,000,000 unemployed might find cause for hope once more.

Government Bond Procedure

J. L. KOLB, Assistant Vice-president, Elmira (New York) Bank and Trust Company, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

AS country bankers we have no recourse but to buy bonds to maintain income. We cannot tell when or to what extent money rates will change, although we can be quite sure that they will change sooner or later. Government bonds have very definite advantages over other forms of investment at this time.

In my opinion the following procedure is logical to

pursue with respect to our Government bond program: (1) Plan an investment program based upon a study of the bank's deposits, other assets and capital account; (2) build a maturity calendar with as short maturities as are needed for proper liquidity; and (3) restrict the length of the bonds in the investment account just as much as need for income will permit. Further than that, I wish to emphasize that in the long run need for safety and relative invulnerability to market fluctuation is greater than need for income, and that our estimate of income requirements should be based upon a policy of strict economy.

Sound Thrift Service

HENRY S. KINGMAN, President, Farmers and Mechanics Savings Bank, Minneapolis, before the AMERICAN BANKERS ASSOCIATION MINNEAPOLIS CONFERENCE.

HAVING decided that the savings banker has active prospects for his thrift service, and having agreed in a general way as to a desirable method of informing the public of this service, we may outline a few points of internal policy which seem consistent with a sound savings program:

First, the banker will accept all deposits of reasonable amount. What is reasonable must depend upon the locality and the size of the bank. In general, however, we believe that the maximum amount should be set high enough to permit carrying all balances except those obviously of an investment character, and that the minimum account should be made as low as possible in the light of direct and overhead costs. If the public detects any disinclination on the part of the banker to accept savings deposits, particularly if at the same time business conditions compel the banker to scrutinize his loans carefully, the public will get the impression that the banker is abandoning his usual function in the community, and direct advertising will be of little avail.

Second, the savings department will pay as much interest on deposits as is consistent with the highest degree of safety of investment. It will pay the same rate on all accounts regardless of size, for to do otherwise would very likely discriminate against that class of savers most in need of encouragement. In setting his interest rate on savings, the banker will figure his costs as accurately as possible. He will make an allowance for reserves which must be set up against inevitable losses, and will provide a small rate of net profit on invested capital. Calculating thus impartially and with no preconceived theories to uphold, the banker will then set his rate without regard to the rate offered by competitive organizations in his locality; and he will not thereafter compete for savings deposits on an interest rate basis. He will try to attract his customers by the use of other arguments.

There may be some difference of opinion as to the effectiveness of the interest rate in attracting savings depositors. During the past seven or eight years, total savings deposits in this country have increased notwithstanding a sharp decline in the interest paid on savings accounts. On certain classes of accounts there is good reason to believe that the

interest rate is of little importance. Where people save for the primary purpose of spending within a short period (as in the case of Christmas Club accounts), the total elimination of interest will have little effect on the volume. We suspect also that the small depositor, whose primary interest is the accumulation of a modest balance for protection against illness or other emergencies, will persist in his efforts without much regard to the interest he receives. At the other end of the scale are the largest accounts, many of which are in the nature of investment accounts anyway and patronize the bank as a refuge of safety or as a temporary depository until open market rates improve. They will, in fact, be the first to evaporate when external conditions offer the owners a better investment or speculative opportunity. In brief, even though it were sound policy for banks to compete for savings on a basis of interest rate, we are not at all sure that a higher rate would produce the desired effect.

One danger in a rate of interest unjustified by earnings and costs is that it forms a precedent difficult to abolish. Recent studies among Massachusetts savings banks showed that reductions in their interest rates were usually made about 18 months later than they should have been, and that increased rates were generally reestablished about a year too soon. There can be no agreement as to what is a proper interest rate for a commercial bank to pay in its savings department. Consensus of opinion is, however, that 1½ per cent is the maximum under present conditions for large metropolitan banks and that in many cases a lower rate would be preferable.

Third, the commercial banker will segregate his savings department from his commercial department to the fullest extent possible. This will involve not merely the usual distinction between time and demand deposits but also a careful allocation of all expenses and an investment policy which recognizes the diverse needs of the respective departments.

Segregation is no policy to be confined to large banks only. In our opinion, the greater the proportion of savings deposits to total deposits, the more imperative the need for segregation.

Most banks which completely segregate their commercial and savings departments find the results very illuminating, and the practice of so doing is to be regarded as an important part of a sound savings program.

The Greatest Gamble

VIRGIL JORDAN, President, National Industrial Conference Board, before the AMERICAN BANKERS ASSOCIATION NEW YORK CONFERENCE.

IN my judgment credit was never more freely available to the borrower whose financial position is sound and whose prospects are favorable. At the same time, the banks are extremely hesitant about assuming credit risks that are questionable in view of current political and economic conditions. There are doubtless some unjustifiable refusals of credit.

To assert that there are not would be equivalent to claiming that the banking system is functioning with absolute perfection insofar as industry is concerned. But the evidence is that the refusals which an impartial group of credit men selected from business and the banks would approve as credit risks are in an insignificant minority. In its most important aspects the credit problem of small business is a by-product of the fiscal and other policies of the Federal Government.

With respect to intermediate industrial credits, I think that the banks are adjusting themselves to this type of credit requirement. Industrial loans to be amortized from earnings over a period of years must be made with the full understanding that they are non-liquid assets. Experience under the industrial advance programs of the R.F.C. and the Federal Reserve banks suggests that separate intermediate credit banks for industry would find it difficult to operate except on a subsidized basis. Insurance of loans to business that carry more than average risks might result in some additional lending, but insurance of both loans and deposits would be going too far toward socialization of our banking system to be in the long-run interest of either the banks or business.

There is room in modern society for expansion in cooperative assumption of risks, but I can see no ultimate benefit to business from procedures which increase those risks while they pool them. Everyone knows that in recent years in our public affairs we have been following a purely speculative fiscal policy which may be fairly described as the greatest gamble ever undertaken by a government. It has retarded sound business recovery and vastly increased the risks of all business enterprise.

Great American Insurance Company New York

INCORPORATED 1872

HOME OFFICE, ONE LIBERTY STREET
NEW YORK CITY

STATEMENT, DECEMBER 31, 1938

ASSETS

Bonds.....	\$11,153,775.00
Stocks.....	32,074,846.00
Cash in Banks and Office.....	2,894,886.96
Premiums in Course of Collection.....	2,354,658.10
(not more than ninety days due)	
Other Admitted Assets.....	163,674.97
TOTAL ADMITTED ASSETS.....	\$48,641,841.03

LIABILITIES

Reserve for Unearned Premiums.....	\$13,287,977.63
Reserve for Losses and Loss Expenses.....	1,575,414.38
Reserve for All Other Liabilities.....	789,817.35
Capital Stock.....	\$ 8,150,000.00
Surplus.....	24,838,631.67
POLICYHOLDERS' SURPLUS.....	32,988,631.67
	\$48,641,841.03

Based on December 31, 1938 market quotations for all Bonds and Stocks owned, the total Admitted Assets would be increased to \$48,752,940.03 and the Policyholders' Surplus to \$33,099,730.67. Securities carried at \$1,638,942.00 in the above statement are deposited as required by law.

DIRECTORS

EARL D. BABST.....New York City Chairman of the Board, American Sugar Refining Co.	SAMUEL McROBERTS...New York City ALEXANDER R. PHILLIPS New York City Vice-President, Great American Insurance Company
H. DONALD CAMPBELL, New York City President, Chase National Bank of New York	JESSE S. PHILLIPS.....New York City Vice-President, Great American Insurance Company; Formerly Superintendent of Insurance of New York
ARTHUR O. CHOATE...New York City Clark, Dodge & Co.	ARTHUR REYNOLDS....San Francisco
JOHN M. DAVIS.....New York City President, Delaware, Lackawanna & Western Railroad Co.	HOWARD C. SMITH....New York City Estate Trustee
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EUSTIS L. HOPKINS...New York City Chairman of the Board, Bliss, Fabyan & Co., Cotton Goods Commission Merchants	GARRARD B. WINSTON, New York City Shearman & Sterling, Attorneys
PERCY H. JOHNSTON...New York City Chairman of the Board, Chemical Bank & Trust Co.	
WILLIAM H. KOOP, New York City President, Great American Insurance Company	

The Great American Insurance Company and its affiliated companies of the Great American Group write practically all forms of insurance except Life

AGENTS THROUGHOUT THE UNITED STATES

Instalment Loans Mean Hard Work

EMERSON J. BOYD, President, Second National Bank, Warren, O., before PITTSBURGH CHAPTER, INC., AMERICAN INSTITUTE OF BANKING.

I ASSURE you the work of an instalment loan department is not easy. It is hard and laborious. If you are not willing to assume the large degree of effort it will entail (both in the promotion and safe conduct of it) you should not engage in this field.

If you desire to increase your bank's revenue; to broaden and diversify the field of your bank's loaning efforts; to make

new contacts; to create borrowers who may be repeaters; then you may well consider entering the instalment loan field. In other words, you should find it well worth-while.

I see no reason why the same character of credit judgment as applied to other bank credits may not be quite as successfully applied to this type of credit.

To those who are considering entering the field I would advise them to first decide whether it would be the personal loan field (which would be of the accommodation loan character, and quite largely with co-signers) or the broad instalment loan field, largely with chattel security.

Trends and Times

The Greatest Difference

THE safety of the system of representative democracy is in the last analysis based on two essentials: first, that at frequent periods the voters must choose a new Congress and a new President; and second, that this choice must be made freely, that is to say without any undue force against or influence over the voter in the expression of his personal and sincere opinion. That after all is the greatest difference between what we know as democracy, and those other forms of government which though they seem new to us, are essentially old—for they revert to those systems of concentrated self-perpetuating power against which the representative democratic system was successfully launched several centuries ago.

Today, with many other democracies, the United States will give no encouragement to the belief that our processes are outworn, or that we will approvingly watch the return of forms of government which for 2,000 years have proved their tyranny and their instability alike.—PRESIDENT ROOSEVELT.

Emphasis on Recovery

WITH the emphasis shifted from reform to recovery, this Administration is now determined to promote that recovery with all the vigor and power at its command.—HARRY L. HOPKINS, Secretary of Commerce.

Chemically Self-Sufficient

IN dollar value American chemical products represent today one-half of the world's output. Our total chemical and allied investment has been placed at \$13,500,000,000. No longer is it necessary for us to go to South America for nitrates that are indispensable in peace as in war. Chemical plants on home soil extract them from the air. No longer need we look aghast at the prospect of being cut off, in emergency, from the rubber plantations of the Far East. Instead, we can manufacture from coal, water, salt and limestone a product, neoprene, that in many respects is superior to rubber.

Through chemical synthesis we have established our self-sufficiency in dyes and in most drugs. Camphor, an essential material, is now made from Southern turpentine. The life of our petroleum deposits has been doubled and possibly trebled, with the result that the threat of an oil scarcity has

been deferred some decades. Imported silk, bristles, gut and other products soon will face in nylon a home-bred competitor that will ask no handicap.—C. M. A. STINE, Vice-president, E. I. duPont de Nemours & Company.

The Ultimate Power

WHAT the people really want they generally get. With the ultimate power of change through amendment in their hands, they are always able to obtain whatever a preponderant and abiding sentiment strongly demands.

The firmest ground for confidence in the future is that more than ever we realize that, while democracy must have its organization and controls, its vital breath is individual liberty.—CHIEF JUSTICE HUGHES.

Note for Business Men

FOR myself, the thing that bothers me is that the business men I see—a good many of them—seem to have a what's the use attitude about going ahead in their own business.

I think this attitude is holding back a good many business men from expanding their business and taking normal business risks.

I sincerely hope that Congress will take a careful look at the tax laws to see if there are any deterrents holding business men back from making future commitments. The business man should understand that the Administration wants him to go ahead, and legislation should be of such a nature that it will not be a deterrent, so the business man can make a profit.—SECRETARY MORGENTHAU.

Rotation

WHERE the public interest is substantial, and where ownership relies to a great extent on non-ownership management, all theoretical approaches, and surely a priori reasoning, indicate that, despite inevitably increased costs, rotation should be favored with respect to accountants who certify to annual statements. If there is such rotation, it should not be alternation between two accounting firms, but the rotation should be radical and complete. Someone has suggested that such accountants should serve for not more than three consecutive years, and for not more than three years during any ten-year period.—DR. JOSEPH J. KLEIN, C.P.A., New York.

THE ABC OF
SELLING THROUGH
ADVERTISING IS
THE

ABC REPORT

The A.B.C. of Circulation: How much? Where? How Secured?

NO matter how much advertising you do . . . no matter what group of people you want your advertising message to reach . . . your *first* question about any publication should be —“Is it an A.B.C. member?”

With the A.B.C. report only can you gauge a publication's worth in relation to your sales program.

A.B.C. reports reveal and analyze **NET PAID CIRCULATION**—the only true measure of advertising value.

A.B.C. reports tell how much circulation there is . . . where it is distributed . . . how it was secured. They give verified information on the *quantity*, and an important index of the *quality* of circulation.

Always make the A.B.C. report your first step in buying advertising space. Ask for the A.B.C. report before you spend a penny. It is the only way to make sure you are buying wisely.

If you do not have a copy of our latest A.B.C. report, ask for it now. It gives you the facts about our circulation—facts we want you to know.



BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

**An A. B. C.
Publication**

A.B.C. = Audit Bureau of Circulations = FACTS as a yardstick of advertising value

A Mutual Company, Founded
on April 12, 1845.

NEW YORK LIFE

Incorporated under the Laws of
the State of New York.

INSURANCE  COMPANY

THOMAS A. BUCKNER
Chairman of the Board

51 Madison Avenue, New York, N. Y.

ALFRED L. AIKEN
President

A BRIEF DIGEST OF THE

94th Annual Statement

DECEMBER 31, 1938

Payments to policyholders and their beneficiaries during the year 1938 amounted to \$201,494,937. Of this total, \$131,804,103 was paid to living policyholders and \$69,690,834 to beneficiaries.

Total payments to policyholders and beneficiaries during the past ten years exceeded \$2,147,000,000.

New insurance during the year amounted to \$422,817,500. Total insurance in force at the close of 1938 was \$6,793,826,309 under 2,828,765 policies.

The Assets on December 31, 1938 amounted to \$2,647,454,712. The principal item of the Liabilities was the Insurance and Annuity Reserve required by law, amounting to \$2,159,527,400. Also included in the Liabilities are a reserve of \$41,569,539 for dividends to policyholders in 1939 and a Special Investment Reserve of \$45,000,000. Surplus funds reserved for general contingencies amounted to \$124,555,211.

ASSETS

Cash on Hand, or in Bank.....	\$50,466,059.12
United States Government, direct, or fully guaranteed Bonds.....	626,759,519.45
State, County and Municipal Bonds	252,459,640.75
Canadian Bonds.....	64,567,067.95
Railroad, Public Utility, Industrial and other Bonds.....	583,416,306.92
Preferred and Guaranteed Stocks...	87,745,048.00
Real Estate Owned, including Home Office First Mortgage Loans on Real Estate (Including \$698,364.35 foreclosed liens subject to redemption).....	135,450,673.37
Policy Loans.....	436,091,057.66
Interest and Rents due and accrued	349,262,979.85
Net Amount of Uncollected and De- ferred Premiums.....	29,880,864.05
Other Assets.....	31,335,538.18
	19,956.31
TOTAL.....	\$2,647,454,711.61

LIABILITIES

Insurance and Annuity Reserve....	\$2,159,527,400.00
Present Value of Amounts not yet due on Supplementary Contracts.....	127,972,335.45
Dividends Left with the Company at Interest.....	113,087,924.11
Other Policy Liabilities.....	15,761,712.71
Premiums, Interest and Rents Pre- paid.....	11,529,650.32
Miscellaneous Liabilities.....	3,572,265.52
Special Investment Reserve.....	45,000,000.00
Reserve for Taxes.....	4,878,673.66
Reserve for Dividends payable to Policyholders in 1939.....	41,569,539.00
Surplus funds reserved for general contingencies.....	124,555,210.84
TOTAL.....	\$2,647,454,711.61

Securities valued at \$38,738,698.21 in the above statement are deposited as required by law.

A more complete report listing the securities owned by the Company will gladly be sent upon request.

BOARD OF DIRECTORS

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Educational Counsellor of
National Broadcasting Company

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President,
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Vice-Chairman, Inland Steel Co.;
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Banking and Agriculture

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